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CONTROL OF THE CAPITAL MARKET

The justification for control of the capital market, as distinct from the unsoundness of all attempts at interferences with the markets of raw materials, appears to lie in a fundamental difference of the price-making process in these markets. The attempts of cartels at "stabilization," be it of prices or of production, are not only utopian but are bound to aggravate the evils they combat. No such theoretical objection exists against the control of the short-term and the long-term loan markets. To be effective, however, such control would have to embrace both these markets and would have to be qualitative as well as quantitative by affecting the particular uses of credit instead of merely its aggregate amount.

The dissatisfaction with the "anarchy" of the existing economic order has stirred up a wave of interest in all sorts of schemes implying the application of "planning," "budgeting" and "control of output" to American industries. It is not surprising that the German institution of industrial coöperation, the "cartel," has attracted anew the attention of economists. Such eminent scholars as Dr. Wesley C. Mitchell and Dr. Simon Kuznets have come to the tentative conclusion that the shorter and milder depressions that Germany was subjected to from 1880-1914 in contrast to the long periods of intense declines of business activities in this country, are to be credited to the beneficial influence of the German cartels.¹ An important group of well regarded European economists is ready to substantiate this assumption.²

The longer the duration of this depression, the more wistfully will Americans look abroad for "a way out" and the more fervent will be the criticism of the present system of laissez faire. The chorus of reformers already calling for "control" and "planning" has in its ranks voices from almost every camp: economists, politicians, "captains of industry," socialists, the radical intelligentsia and clergymen. Not being satisfied with mere words, some industries are starting to put into

¹From the address of Professor Wesley C. Mitchell at the 19th annual meeting of the Chamber of Commerce of the United States, Washington, D.C., held at Atlantic City, April 29, 1931. "In Germany, business depressions had been remarkably brief and mild for the greater part of a generation before the war. It looks as if cartels were largely responsible for this result, though we need more thorough study to be sure." Mr. Kuznets' opinion was expressed in an unpublished manuscript on cartels.

²Compare R. K. Michels, *Cartels, Combines and Trusts in Post-War Germany*, pp. 174 and 178. Furthermore O. Lenich, *Kartelle und Staat*, 1928; and R. Liefmann, *Kartelle, Konzerne und Trusts*, 1927.

practice what everybody seems to demand. The copper industry meets to talk again about price and production control, copper shares on the stock exchange start a little boom and the future looks hopeful again—for two weeks!

One cannot help being reminded of Professor Rogers' recent reference to Henri Fabre's experiment with caterpillars, illustrating the coercive nature of habit.³ While there appears to be a certain degree of agreement between economists that ill-advised activities of cartels represent one of the causes of this depression and that the rigid price system has done its ample share to prolong the depression,⁴ the chorus calls for more control; and industries are attempting to live up to what is expected of them. Attempts at control implying interference with the price-making process have been made in the market for commodities as well as for loanable funds.

Studies of the methods used and the results achieved by cartels have forced the writer to assume that interferences with the price-making process, in the markets for raw materials at least, have in the long run invariably aggravated rather than improved the position of the industries they attempted to benefit. Concerted interference, at least upon the part of producer interests exclusively, is bound to retard the solution of the problem with which the industry is beset, namely, the evolution of a price level that would automatically eliminate submarginal producers and extend the margin of demand, thereby adjusting the supply to the effective demand.

These unsuccessful attempts at interference with the price-making process have had their origin either in schemes of "stabilization" or even "valorization" as conceived by governments (Brazil, coffee; England, Stevenson Rubber plan; Japan, silk; Germany, potash; United States, wheat) or in the "concerted action" of independent concerns, *i.e.*, in cartels. Not a single case of successful long-run stabilization of raw materials prices by either of these programs is known to the author.

Not quite as unsatisfactory a record is shown in the other field of control, the deliberate interference with the loan market. Discount policies and open market operations of the central banks have proved to be unable to obtain the desired results; but they have probably not aggravated the swings of the business cycle, and they may have done a great

³ James Harvey Rogers, *America Weighs Her Gold*, pp. 109 ff.

⁴ Compare: Josef Schumpeter, "The Present World Depression: a Tentative Diagnosis," in *Proceedings* of the 43rd annual meeting of the American Economic Association (March, 1931), p. 181. Bertil Ohlin, *The Course and Phases of the World Economic Depression* (League of Nations), chapter 6E, p. 262. Compare also the findings of the so-called Macmillan Report (Committee on Finance and Industry) of June, 1931, p. 61.

deal of good. The failure to mitigate cyclical fluctuations has not been due to defective principles but to the ineffectiveness of the methods employed.

The justification for control of the loan market as distinct from the unsoundness of interference with commodity markets appears to lie in the fundamental difference of the price-making process in the two markets. The price for a raw material regulates the effective supply and demand. The price for capital is the return paid for its use to investors to induce them to supply the entrepreneurs with funds. If several industries or several concerns in any given industry should apply to the capital market for a certain proportion of the nation's capital accumulation, *that* industry should be considered first which appears to be able to offer the optimum combination of maximal return and minimal risk.

In most cases, however, the investors and even the entrepreneurs and the promoters or investment bankers themselves can at best have only rather vague notions as to the profits that may be earned on the capital about to be invested. The hoped-for return depends on many factors that in the present economic order cannot be accurately predicted. On the supply side, potential competition threatens while on the demand side the constant shifts in fashions and the cyclical changes in consumers' purchasing power are apt to upset calculations.

It is, therefore, not so much the price offered for the use of capital that decides where capital will be invested, but rather the expectation of the investor for a future return. This hope, however, is stimulated by the propaganda of the promoters, whose sole job it is to bring the entrepreneurs and the investors together. In many cases, therefore, the funds do not go to that industry (or that concern) which will actually yield the largest return on the invested capital but to that industry (or that concern) which employs the most skillful promoters. This assumption was fully borne out by such facts as the overcapitalization of certain promising new industries like aviation, radio or rayon during the last boom. The price-making process in the capital market *has been by no means achieving* the same favorable results as in the commodity markets.⁵

A control of the credit market would appear to be justified therefore provided those in charge of the control have at their disposal, not only the information on which to base their action, but also the machinery to execute the control in an effective manner.

Today obviously both prerequisites are woefully lacking. The information on when the screws of credit control should be tightened and when

⁵This assumption refers to the markets of raw materials. The price-making process is rather ineffective in the field of the much advertised "fancy" goods as brought out by the studies of "Consumers' Research."

they should be loosened is insufficient. The screws themselves are inefficient or entirely useless.⁶

The attempt to regulate credit expansion and contraction is bound to be ineffective as long as restricted to the control of bank credit.⁷ What could have been achieved by the curbing of bank credit in 1928-29 when every corporation could float all the new securities issues it wanted and send any surplus funds so obtained (above its own trade requirements) as "loans on account of others" into the New York call money market? The stock market boom was fed by brokers' loans which were supplied by corporations from these new issues to the extent that they did not use the funds to "expand" i.e., to increase inventories, to build plants, or to acquire other companies.⁸

It is obvious that a control of credit will always be rather ineffective if restricted to bank credit alone, as long as an interflow of funds between the capital and the money market and the substitution of short-term credits for long-term credits, and vice versa, are possible. An effective control of credit should, therefore, attempt to include both the money and the capital markets.⁹

* Professor M. J. Bonn in his article on "The German Crisis" in the *Yale Review*, Spring, 1932, gives an example for the paradoxical consequences of the discount policy of the German Reichsbank during the years 1925-29. Whenever the discount rate was raised in order to tighten the loan market, foreign funds streamed in so freely as to effect an unwarranted abundance of short-term credit. If the discount policy was used to reduce money rate, foreign funds left for more profitable fields and as a consequence, the resulting scarcity of short-term funds brought about high money rates where low rates had been aimed at.

⁷ Whether control of bank credit, if handled more effectively than by the Federal Reserve Banks in 1928-29, could throttle a bull market without affecting business activities in an undesirable manner, is at least controversial.

* J. H. Rogers, *America Weighs Her Gold*, 1931, p. 99. American corporations under the influence of easy investment conditions, obtained, on long terms, funds not only in amounts which would normally have been thus borrowed, but in greatly increased amounts. Through these enlarged cash holdings, many concerns were completely freed from the banks from which they were accustomed to obtain advances, and, in addition, began to make so-called "bootleg" loans to the stock market. The great resources of the banks were thus largely freed for the use of speculators and of others operating with money market funds; in addition, many of the normal customers of the banks became actual competitors for the speculators' credit demands. Under such circumstances, the greatest stock market boom of our history was not long in developing. By stimulating, in advance of needs, further long-term financing through stock issues, this boom continued to feed itself. The high cash position of the corporations made an extremely favorable impression in their statements, while their excess funds loaned to the market provided a great share of the credit needs of the speculators.

* British economists are to be credited with having conceived a definite program of control of the capital market. A group of liberal economists, including John Maynard Keynes, W. T. Layton, L. T. Hobhouse, D. H. Robertson, H. D. Henderson and Sir Josiah Stamp published in 1928 a 500-page program, to meet *Britain's Industrial Future*. The chapter on the "National savings" contains the proposals for a "Board of National Investment" (p. 111). This conception has been further elaborated upon by Mr. E. D. Davenport, in his lecture before the Liberal Summer School in 1931, which was later published under the title, "The Control of National In-

Here the question arises whether control can be effective by being limited to the aggregate amount of credit or whether the particular uses of credit should be the object of regulation. Such defenders of the first version as Dr. Edie hold that "the particular uses of credit will tend not to get radically out of balance."¹⁰ Against this dogma the proposed control of the specific uses of the funds in the long-term loan market derives its *raison d'être* from the observation that most depressions have their roots in just this lack of balance in the expansion of the industrial structure.¹¹

The inherent difficulty in any control of the capital market by means of the discount rate lies in discrimination against certain industries or even against certain concerns. An increase or decrease in the re-discount rate affects everybody: the margin speculator in stocks and in commodities, the jobber, the wholesaler, the copper industry as well as the farmer, the construction firm as well as the railroad. Not all are affected alike.¹² But not unlikely those industries that are most over-expanded will be affected less than those that are in bitter need of capital. Industries expand because they are prosperous for the time being; only too easily can they finance themselves through the sale of stocks. An increase in the discount rate would not affect them so long as the stock market boom is not halted; other industries, less conspicuously prosperous but of probably safer investment character, would find their growth impaired by the rise in the cost of capital funds. If the discount rate is finally raised to such an extent that the stock market collapses, the danger exists that a severe depression may get under way that otherwise would not have developed.

Central banks have only once dared, at least by an explicitly announced policy, to assume the odium of discriminating in their loan policies. This exception is represented through the manipulation of the Reichsbank lending policy by Schacht's attempt to preserve the stabil-

vestment" in the *New Statesman and Nation*, October 10 and October 17, 1931. Professor Joseph Schumpeter had already in 1925 advocated the stimulation or retardation of specific industries by the control of the capital market. ("Kreditkontrolle" in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 54, pp. 323, 325, 326 and 327.)

Professor Emil Lederer has recently come out very definitely in favor of such control. In "Das Kreditproblem in der Weltwirtschaft" in *Archiv für Sozialwissenschaft und Sozialpolitik*, vol. 66, p. 265, he states that "control of banking implies control of the purposes for which new capital is to be raised." He furthermore expects from such control "the only effective regulation of the activities of cartels and trusts." See also his latest publication *Planwirtschaft* (Tübingen, 1932, pp. 23, 25 and 26).

¹⁰ Lionel D. Edie, *The Banks and Prosperity*, 1931, p. 127.

¹¹ Compare Lionel Robbins in his foreword to F. A. Hayek, *Prices and Production*, p. viii.

¹² J. P. Lawrence, *Wall Street and Washington* (Princeton University Press, 1929), p. 71 ff. compiles the percentage of interest cost as part of the total costs of certain lines of business as follows: industry, 1.93; banks, 5.44; railroads, 8.75; public utilities, 14.55; agriculture, 8.58.

ity of the mark in the spring of 1924. In general, credit had to be limited, but agriculture and certain vital industries needed credit and at low rates. On April 7, 1924, therefore, Schacht started the so-called policy of *rationing*. "In fact, in the weeks which succeeded April 7 the Reichsbank scrutinized meticulously the whole series of credits granted. The Bank's branches were instructed to consider carefully the objects for which the credits were designed, and as far as possible to divert the sums coming in from the repayment of bills into channels calculated to lead to the most productive results from the standpoint of the general economic interest. Firms which did not happen to have any bill credit with the Reichsbank on the date April 7 were very soon accommodated if they could claim consideration on the above grounds; and it is really astonishing looking back, to see how few complaints of neglect reached the Reichsbank from individual applicants. The academic objections to the credit rationing system did not receive the support of actual experience."¹³

While Schacht's policy of rationing was only an emergency measure, in the field of foreign investments government interference with the freedom of the long-term loan market has been the rule rather than the exception. To quote Mr. Feis: "The uses which the spared capital of Western Europe found were often determined by political circumstance rather than by economic or financial calculation. The traditional theory of capital movement given in the economic texts, wherein capital is portrayed as a fluid agent of production put at the service of those who paid or promised most, is inadequate to account for the direction capital took before the war. In the lending countries international financial transactions were supervised in accord with calculations of national advantage which were often unrelated to the direct financial inducement offered the owners of capital."¹⁴

As soon as the United States had embarked on her new career as the dominant figure in the world's long-term loan market, government interference with the flotation of foreign loans was established by the so-called Ruling of March 3, 1922. American investment banking houses were not forced but were expected to send to the State Department a written memorandum outlining the pertinent features of the prospective loan contract. The State Department with the coöperation of the Treasury and the Commerce Department "analyzes the economic and political factors involved and informs the investment bankers whether in the light of the information before it the State Department offers no objection."¹⁵

¹³ Hjalmar Schacht, *The Stabilization of the Mark*, Adelphi Co., 1927, pp. 158-159.

¹⁴ Herbert Feis, *Europe, the World's Banker, 1870-1914*, p. 465; also Jacob Viner, "Political Aspects of International Finance," *Journal of Business*, April, 1928.

¹⁵ George W. Edwards, "Government Control of Foreign Investments," *American Economic Review*, December, 1928.

The United States government has by this means prevented the flotation of several loans which the investment bankers were otherwise willing to float. In 1926 Brazil applied in New York for a coffee valorization loan, but the Secretary of Commerce, Mr. Hoover, issued the following statement: "The administration does not believe the New York banking houses will wish to provide loans which might be diverted to support the coffee speculation which has been in progress for the past year at the hands of the coffee combination in Sao Paulo, Brazil. Such support would simply bolster up the extravagant prices to the American consumer."¹⁶ A loan to the German-French potash syndicate was balked on the same ground.¹⁷ This effort to afford some protection to the American consumer is undoubtedly meritorious; but why was the practice not used also against the flotation of loans to finance monopolies dominated by American financial interests like the Copper Cartel, the Aluminum Syndicate, the Swedish-American Match Trust and the "Cosach"?

It is immaterial whether the government disapproves of advances to monopolies only because of a desire to protect the consumers or because it realizes that any rigid price system invariably leads to violent readjustments, which often are the signal for the beginning of a major depression of the economic body as a whole. Whatever the motives may have been, these precedents are cited to show that the government of this country has been willing to interfere with the long-term capital market whenever economic, moral or political consideration seemed to dictate such a policy.

Aside from the control of foreign loans, there are two domestic fields of investment in which a certain degree of control over long-term capital commitments has existed in this country for some time. The Interstate Commerce Commission was entrusted by the Transportation act of 1920 with the regulation of the issuance of *railroad* securities. It is an academic question whether such powers, if given half a century earlier, would have given us a better railroad system; but there is little doubt it would have strengthened in some measure the capital structure of the roads, and there are good reasons for believing it would have greatly facilitated administrative rate regulation. The record of the Commission since 1920 has been far from satisfactory, however. The finance operations of the Seaboard Airline, the Wabash, and the Chicago and Northwestern during the last boom were handled in a manner inconsistent with sound principles in view of the capital structure of these companies.

¹⁶ *Ibid.*, p. 699.

¹⁷ The temporary embargo on French, Belgian and Italian and the permanent embargo on Russian loans was decided upon out of political motives, while the reason for the interference with a loan to a Czechoslovakian brewery might be difficult to classify.

Some degree of state regulation of *public utility* issues has been adopted in all but 18 states,¹⁸ its motivation being that "whether the public utility investors as such deserve protection or not, they must be protected in order that the utility may be able to obtain abundant capital on favorable terms, and thus be enabled to furnish adequate service at low rates."¹⁹

However great may have been the lack of efficiency or of good judgment of the authorities in the exercise of this control of the financing of railroads and public utility operating companies in specific cases, one has only to refer to the comparative financial record of the unregulated railroad and public utility holding companies, to appreciate the degree of protection of savings which was achieved by regulation. Not the least of the motives behind the promotion of such holding companies as those which have been created by the Van Sweringen and Pennsylvania interests, the United States Electric Power Company, Public Utility Holding Company, Central Public Service Company, and many other such creations of the artists of high finance, was the prospect of evading supervision of the financing methods of their sponsors. Not even South American bonds have during the last three years experienced such a depreciation as the debentures of these holding companies, a fact that furnishes a frequent commentary upon the soundness of the financing methods pursued.

If the regulation of the financing of railroads and public utilities has up to date not been as successful as one might have hoped, probably the shortcomings have been due, in the main, to the lack of adequately compensated, first-class personnel. But this is certainly not an insuperable barrier to the establishment of effective regulation, and the advantages to be gained are well worth the effort to surmount it. For the costs of depressions are so staggering, that the mere chance of even a slight decrease in the amplitude of business fluctuations should make the expense of a competent federal board to control the capital market a good national investment and the responsibility resting upon such a board should provide a strong inducement both in the selection of competent men for membership and to the acceptance of membership by such men.

There is, of course, a fundamental difference between the control of securities flotations for regulated industries and for industries in which the principles of *laissez faire* prevail. Some of the problems to be faced by a control of the capital market in this broad field would be:

¹⁸ Colorado, Delaware, Idaho, Iowa, Kentucky, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, South Dakota, Utah, Washington, and Wyoming. From Eliot Jones and T. C. Bigham, *Principles of Public Utilities*, p. 495.

¹⁹ *Ibid.*, p. 496.

- (1) What is the meaning of the conception "overexpansion" in regard to any industry?
- (2) If a certain industry is held to be approaching the so-called "saturation point," should new capital be permitted to be raised for—
 - (a) New concerns?
 - (b) Expansion of existing concerns?
 - (c) Modernization of existing concerns?
- (3) What new industries should be financed first if, say, capital requirements exceeded savings by a substantial margin?

Potent enough are the dangers involved in entrusting bureaucratic machinery with decisions as to whether or not the saturation point of a given industry has been reached or with the choice between several new inventions eager to be financed. Granted these unavoidable risks inherent in any control, proper weight should be given to certain factors that tend to minimize the dangers of control as well as to others which undeniably offset dangers by providing relief from the abuses only too characteristic of the present system.

In regard to the danger that promising new industries might not be developed, it is of interest to remember that the American automobile industry developed almost entirely without help from the capital market. Ford is the outstanding example.²⁰ As a matter of fact, it is very seldom that an invention of great consequence obtains funds from the capital market before it has definitely proved its earning power. Only after the pioneer concerns are well established and have shown a record of high earnings does the moment arrive when the "sucker lists" are brought into use by the promoters to extract millions from the public to finance hundreds of similar "sure-fire money makers."

It should not be forgotten, moreover, that even under our present system of a "free" investment market, no definite assurance of the development of worthy inventions is given. The investment banker, either being closely allied with strong corporations or being afraid of the possible outcome of a fight with them, almost invariably advises the inventor to offer his schemes to the concerns already working in a similar field instead of embarking on an independent and competitive career. The large corporations, however, may prevent the utilization of an invention that they acquired until their old equipment is written off, *i.e.*, they virtually present an obstacle to the development of new inventions as serious as the bureaucratic machinery of a Federal Investment Board, might turn out to be, even provided it were given complete control of the capital market. No such complete control is proposed, however.

Another justification for a certain degree of control of new security issues would be the great benefit it would provide to the reliable investment bankers themselves. Hence, if all security issues offered to the

²⁰ Seltzer, *The Financial History of the American Automobile Industry*.

general public that are not frankly designated as speculative in character, should require the approval of the Federal Investment Board, two unsound features of our present system would be eliminated. The present system of protection of both the investing public and the reliable investment banker from fraudulent competition is utterly inadequate.²¹

Another undesirable feature of our present system is provided by the fact that in every boom period the investment houses of second-rate standing "go out after business" in the sense of creating the securities which the public wants. During the boom years of 1927-29 representatives of investment houses called almost weekly on corporation officers, flattered them by painting glorious pictures of their future with the only purpose of seducing the concern to issue securities. It was due to this constant beguiling that, speaking generally, even the most virtuous conservatism finally succumbed.²²

So far the attempt has been made to lay the groundwork for certain suggestions for improvements upon the existing machinery of the capital market. The price-making process as the ultimate regulator of production and consumption has been defended and proposed schemes of "control" or "planning" in the field of production have been found to be not only utopian but tending to aggravate rather than to stabilize the fluctuations of business. If there is to be interference it has its place in the control of credit, *i.e.*, in the control of the short-term and the long-term loan markets. To be effective such control should be qualitative rather than quantitative by affecting the particular uses of credit instead of merely its aggregate amount.

The next step was to illustrate the feasibility of such qualitative control by reference to such precedents as Schacht's policy of "rationing," the State Department's control of foreign loans and the activities of

²¹ William Z. Ripley, *Main Street and Wall Street*, provides an abundance of material indicating the inefficiency of the present system of "blue sky laws" that were made and are upheld by states that are prostituting the law for the collection of fees and taxes from doubtful promotions. T. E. Baum, manager of the Protective Department of the American Bankers Association, lists the cost of stock frauds for 1924 at \$1,700,000,000. Only federal control could clean that "Augean stable."

²² "In periods like 1928 and early 1929, when there is an almost insatiable demand for securities, the merger movement will be certain to flourish. *Its most active sponsor is the investment banker.* Reputable business houses merely carrying on their business under their existing organization bring a very slight volume of new securities for the banker to handle. But if they can be brought together into a new organization it may mean a large flotation of securities. During 1928 and 1929 some investment houses employed men on commission who did nothing but search for potential mergers. One business man told me that he regarded it as a loss of standing if he was not approached at least once a week with a merger proposition. A group of business men and financiers in discussing this matter in the summer of 1928 agreed that nine out of ten mergers had the investment banker at the core." From "The Persistence of the Merger Movement" by Willard L. Thorp in *Proceedings of the 43rd annual meeting of the American Economic Association*, p. 85.

the Interstate Commerce Commission and of the State Commissions entrusted with the control of public utility issues. These precedents are far from showing a brilliant or even satisfactory record, but there is plenty of evidence today that without this control there would have been even more imprudent disposition of savings in the limited fields referred to.

It remains now to propose the practical steps that would have to be taken in order to develop such a control system as would combine a maximum of desirable features with a minimum of drawbacks. Since information and experience is the basis of control, obviously the use of the power of control should be granted only to a body that represents the final step in an evolution from simple and primitive origins. Such a procedure should be a sufficient answer to all arguments that economic society is no rabbit to experiment with. The proposal is therefore made that the control of the long-term loan market be approached through the gradual development of three organizations, the second and third being created only if the forerunner proved a success. These three organizations would be: (1) The American Investors Institute; (2) The Federal Investment Commission; (3) The Federal Investment Board.

1. The American Investors Institute

The A.I.I. would be of a purely private and advisory nature. Its functions might be best compared to those of "Consumers' Research." No attempt would be made to compete with such meritorious institutions as Standard Statistics Company, Inc., or Moody's Investors Service. The services of these private information and rating organizations are necessarily costly, and they cater therefore primarily to the requirements of the professional security dealer, broker or trader rather than to those of the average or small investor. The cheaper sources of information catering to the small investor usually do more harm than good.²³

²³ An officer of one of these services commented somewhat as follows during the discussion following the paper of Professor Garfield Cox on "An Appraisal of American Business Forecasts" at the 1929 meeting of the American Statistical Association in Washington, D.C.: No service could afford to be pessimistic for any length of time without losing its subscribers. A service is supposed to recommend every week at least a few stocks as good buys. Why should anybody subscribe to a service only to be told every week: keep your cash or sell all stock you still have?

We touch here upon another problem: To what extent can any forecaster ever afford to be as pessimistic as to doubt the solvency of important concerns? Aside from the fact that it constitutes a criminal offense to publish or to circulate orally doubts on the solvency of banks, there is the question whether a pessimistic forecast may not destroy public confidence in such institutions and thus create disaster which otherwise might have been prevented. For a discussion of this problem see the author's review of Warren M. Persons' "Forecasting Business Cycles" in *The Journal of Business*, University of Chicago, January, 1932, pages 98-101.

The publications of the A.I.I. might perhaps best be financed by an endowment. No consideration would have to be given to subscribers' desires for weekly "tips" and for optimistic reports. No fear of the violation of vested interests would exist. Monthly reviews of the general economic situation would be published and careful analyses of different industries and of the various fields of investments would be compiled from time to time.

As soon as the A.I.I. had developed a permanent staff of competent investment experts, the introduction of a new rating system of individual securities might be considered. These ratings would not compete with the existing ratings of Moody's or Standard Statistics but would be of a more specialized nature. Certain minimum requirements should be developed to test the investment qualities of securities suitable for the portfolios of endowed institutions, insurance companies, savings banks, commercial banks, trust funds, etc. The rating of individual securities could be expressed by percentages of these minimum requirements.

The permanent staff of the A.I.I. would be selected and its policies supervised by a board of directors. The members of this board should be selected by the recognized associations of scholars in the fields of economics and statistics, such as the American Economic Association, the American Statistical Association, and others. If one of the foundations that sponsor independent research in the social sciences could be induced to assume all or part of the financial burden of the institute, the officers of this foundation would control the board of the institute jointly with the above mentioned associations. The main object in drawing up the constitution for the Institute would, of course, be the assurance of complete independence from all those influences that at present undermine the reputation of the American financial press.²⁴

II. The Federal Investment Commission

The F.I.C. would put its authority as a governmental agency behind its investigations; facts that would not be disclosed to the A.I.I. as a private organization, would be open to the F.I.C. In addition, the findings, when published, would attract more attention and their implications would carry more weight.

As soon as the much-needed reform of our corporation and "blue-sky laws" has transferred certain powers from the states to the federal government, the F.I.C. would assume the advisory functions of

²⁴ Compare Representative LaGuardia's disclosures of the susceptibility to graft of financial journalists, when testifying before the Senate Banking and Currency Committee on April 26, 1932. (*U. S. Daily* of April 27, 1932, p. 1.)

the A.I.I., equipped with information from sources that up to date are not open to any one organization.²⁵

III. The Federal Investment Board

If the A.I.I. and the F.I.C. should prove successful in the sense of achieving all that can be expected from their limited powers, the Federal Investment Board would represent the final and most complete attempt at control of the flow of the national savings into investments.

To outline in as concise a manner as possible the organization as well as the functions of this board, the following skeleton of a bill is submitted:

- (1) The F.I.B. should consist of 7 members, the Secretary of the Treasury being member *ex-officio*. The other six members should be appointed by the President to represent the following organizations or groups.
 - (a) *The Federal Reserve Board*: To assure coöperation in the control of the market for long and short-term funds.
 - (b) *The Stock Exchanges*: To assure coöperation with the committees passing on the applications for listing of stocks or bonds on the exchanges.
 - (c) *The Investment Bankers Association*: To assure the coöperation of the responsible originators of new securities.
 - (d) *The American Bankers Association*: To assure the coöperation of the commercial bankers as:
 - (1) The supply of short-term credit:
 - (a) To industry.
 - (b) To investment bankers.
 - (2) The confidential advisors of industry.
 - (3) The purchasers of bonds for their secondary reserve and investment accounts.
 - (e) *The Associations of the Savings Banks and Insurance Companies* as the largest investors.
 - (f) *The American Investors Institute*: To assure coöperation with this fact-finding body.
- (2) The F.I.B. is to exercise the control of the long-term loan market with the purpose to assist in the direction of the flow of national savings into national or foreign investments.
 - (a) *As to time and quantity*: By discouraging over-investment in boom times and by encouraging investments in times of stagnation, when

²⁵ Professor Myron W. Watkins in his just published article on "An Appraisal of the Work of the Federal Trade Commission" (*Columbia Law Review*, vol. xxxii, no. 2, February, 1932), advances proposals of a quite similar nature, when he pleads for the creation of four bureaus subordinate to, and under the general supervision of, the "Federal Trade Commission." One of these four bureaus, the Bureau of Corporations corresponds rather closely to our conception of a F.I.C. and would be charged with the responsibility of granting and denying corporate charters, of formulating uniform systems of accounting to the different industries and of examining the

the present organization of the capital market ceases entirely to function and thus aggravates and prolongs depressions.²⁶

- (b) *As to quality:* By discouraging investment of national saving in certain fields that may temporarily appear unduly promising and by encouraging investment in fields that may appear at times unpromising in a manner not justified by a long range point of view.
- (3) To accomplish these purposes the investigating staff of the F.I.B. has to provide the Board with quantitative information on:
 - (a) The national capital requirements, as a whole, and by different industries.
 - (b) The national savings and their different sources.²⁷
 - (c) The balance of payments of all important nations and the limitations of profitable and safe exports of capital.
- (4) The F.I.B. would exercise its control in the three main channels through which the national savings flow into the different fields of investment.
 - (a) All new securities issues should be submitted to the F.I.B. in order to obtain its mark of approval. The board would not guarantee nor even assume any moral responsibility for the ultimate quality of the issues approved; neither would the Board be empowered to prevent the flotation of issues which have been definitely refused its approval. The public, however, would have a certain guidance in respect to the relative soundness of new issues. Public offerings of securities approved by the F.I.B. should eventually enjoy great advantages in placement—an advantage so great as immediately to mark an issue without approval as speculative.
 - (b) The direct investment activities of institutions making loans on rural or urban real estate would be advised upon and, if necessary, regulated in regard to the valuation principles used.
 - (c) The F.I.B. should analyze the re-investment of corporate profits and, if necessary, use its good offices to prevent over-investment in certain temporarily very profitable industries. In such cases the F.I.B. should encourage the accumulation of bank balances or marketable securities as a reserve for the next depression.

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regular and special reports upon the financial affairs of each federal corporation, except banks and railroads.

²⁶ Professor Bertil Ohlin resorts to such advice after having discussed and discarded practically all other possible ways to stimulate recovery. "Of the various ways of contributing towards this end may be mentioned, first of all, the *official guaranteeing of loans* taken up for the purpose of certain types of private investment for some time to come. Borrowers could then obtain funds at a far lower rate of interest than would otherwise have been possible." (From his lectures at London University, partially reproduced in *Index*, May, 1932, p. 151.)

²⁷ The first comprehensive attempt at the collection of this information has been made by the Institut für Konjunkturforschung in its *Kapitalbildung und Investitionen in der Deutschen Volkswirtschaft, 1924-1928* (Berlin, 1931). For methods of approach to this investigation, see pp. 1-38 and 174-209.

THE PLIGHT OF FOREIGN TRADE

"We are in sight of . . . a practically complete stoppage of all international trade except in such articles as cannot be either dispensed with or produced at home," says Sir Arthur Salter (*Recovery*, London, Bell, 1932). This is due in part to the restriction of markets by depression, but principally to rapidly increasing artificial trade restrictions in the form of prohibitive tariffs, import quotas and exchange regulations. All attempts to counteract this wave of protectionism have so far failed, only separate cases being occasionally settled by specific agreements. Every day some new restrictive measure is announced so that it is practically impossible to give at any date the full list of such measures in force. It is the aim of the present article to draw a comprehensive outline of the situation and to indicate some possibilities of future evolution, though no predictions can be made as to the final solution (managed economy or other) of the problem.

Whatever the reasons for the present depression may be—and they are many—there can be no doubt that for each individual country the improvement of its foreign trade appears to be one of the principal objects to be aimed at on the way to recovery. Yet many countries apparently do all that is in their power to counteract this development and the consequent improvement in the general situation. It will be seen, however, that this is done not in a spirit of willful destruction of established relations but from a necessity of self-protection.

Foreign trade today is probably in a worse state than it has been since the war, and possibly worse than for many decades. During 1931, international trade is estimated to have decreased in volume by about 15 per cent in comparison with 1930,¹ whilst the foreign trade of the United States decreased by \$2,390,000,000,² representing a decline in the value of exports of 37 per cent and of imports of 32 per cent.

It is of interest to note that exports declined by fully 5 per cent more than imports; and it is reasonable to attribute this decline not only to the restriction of markets due to smaller demands, but also to the increased barriers which exports had to face practically all over the world during the elapsed year, and more particularly during its second half. The opening of 1932 shows no improvement in this respect and in certain cases conditions are becoming so appalling as to make international trade almost impossible, and prospects of general recovery more distant.

¹ Mr. O. K. Davis, Sec. National Foreign Trade Council, New York, quoted by *Foreign Trade*, Feb., 1932, of the American Chamber of Commerce in Paris.

	1930		1931
U. S. exports	\$3,843,000,000	U. S. exports	\$2,424,000,000
U. S. imports	\$3,061,000,000	U. S. imports	\$2,090,000,000
Total	\$6,904,000,000	Total	\$4,514,000,000
	Loss \$2,390,000,000		

Commerce Reports, Feb. 15, 1932, of the United States Department of Commerce, Washington, D.C.

A wave of protectionism is sweeping the world markets. And protectionism is an infectious disease. Once the movement starts in one country, others are either forced or at least encouraged to follow in order to protect themselves or to gain concessions by a menace of retaliation. It is the aim of this article to show how far the rolling ball of protectionism has already gone, what forms it has taken and to what astonishing results it has led in some cases.

The growth of protectionism since the end of the war has been one of the most important causes of depression in Europe. It will be remembered that the peace treaties created a number of new states with some 8,000 kilometers of new frontiers. Once the fever of reconstruction of war damages had passed, the effects of these new frontiers and split-up markets made themselves increasingly felt until they have now become one of the main obstacles on the way to recovery and one of the key problems of the economic puzzle which business men in every country have to face. Unhappily it seems that in view of the multitude and complexity of political, financial and other reasons involved the matter is certainly not one that can be easily solved.

With the beginning of depression the already unsatisfactory state of international trade rapidly became worse. One government after another was faced with the problems of unemployment, budgetary difficulties, falling consumption, overcapacity and a general feeling of insecurity. In most cases the only effective way of protecting domestic labor seemed to lie in the protection of the domestic market by the rigorous exclusion of foreign products. This also offered the additional advantage of providing a certain amount of new sources of revenue for the budget by increasing the yield of duties when the protective measures did not cause an actual cessation of imports.

During 1931, when the full effect of depression was felt all over the world, measures of three principal types were taken for the protection of domestic markets, and consequently for the restriction of international trade. These are tariff increases, quotas and exchange restrictions. The latter, of course, are not a purely trade restrictive measure, but in practice have proved to be even more effective than combined tariffs and contingents.

Custom Duties

A difficulty of the study of tariffs lies in the absence of any system for the establishment of an index. It is, therefore, impossible either to give definite figures for total rises of duties in individual countries or to compare the importance of tariffs of various countries.^a

^a Attempts for the establishment of customs indices are being made by the League of Nations.

The widespread use of *ad valorem* duties,⁴ which can be modified by a mere administrative measure altering the supposed basic price of the products hit or the method of valuation, is a further obstacle for such comparisons. Many increases effected in this manner escape registration.

Specific duties are not much better suited for comparisons, for methods of application vary from one country to another.⁵ But the following table will give some idea of the difference of import duties on one specific item for various countries according to their requirements and policies. The figures below⁶ indicate import duties on wheat in Europe at the end of 1931:

Country	Marks per metric quintal
Germany	25
Italy	13.33
France	13.20
Spain	13
Poland	8.24
Czechoslovakia	7.47
Latvia	5.67
Switzerland	0.49

Great Britain, Holland, Belgium and Denmark had no import duty.

A short survey of the policies of individual countries is more comprehensive. Without going into a detailed discussion of the Hawley-Smoot tariff of the United States, instituted in 1930, it is necessary to remember that this is one of the most important developments of late years, both as a protective measure and as the cause of similar measures taken in Europe. Though it is stated by American interests⁷ that 66.83 per cent of imports into the United States during 1930 were free of duty, this tariff is generally considered in Europe as prohibitive and has certainly helped to build up European barriers, even though retaliation is usually disclaimed by European governments.

A study of the protectionist policy of France is of particular interest as it clearly reflects the evolution of world conditions during late years.

Present French duties were instituted by the law of March 2, 1928, based on numerous amendments to previous tariffs and principally on the stipulations of the Franco-German agreement of August 27, 1927, and the Franco-Swiss agreement of January 21, 1928. One of the

⁴ Except by Germany and Switzerland.

⁵ For polished or unpolished hollow glass, for instance, packed in wooden cases, the weight of the packing is estimated as follows: by Germany 40 per cent, by Spain 20 per cent, by Turkey 15 per cent. For electric motors the weight of packing is estimated by Germany at 15 per cent, Spain 20 per cent, and Turkey 7 per cent. (Internat. Chamber of Commerce.)

⁶ Minimum duties expressed in German marks per metric quintal. *Agriculture Polonaise*, January, 1932, Warsaw, Poland, quoting Dr. Walter and Dr. Engel in *Berichte über Landwirtschaft*, Sonderheft 42, 1931.

⁷ American Chamber of Commerce in London.

clauses permitted the government to increase, when necessary, duties on certain articles without consulting Parliament.⁸ Up to December 1, 1929, this clause could be applied to 46 items of the tariff.

By April 19, 1931, the list of products subject to such regulation by decree had reached 162 items. This increase is symptomatic. In the midst of world depression France remained an island of comparative prosperity and higher prices. It was consequently a desirable market and domestic industries had to be protected from foreign competition by rapid measures.

At the same time tariffs were being increased by regular votes of Parliament. During the first four months of 1931 some 160 items were affected, the duties being raised in some cases by as much as 333 per cent and 420 per cent.⁹ Towards the middle of the year French protectionism took a novel form by limiting the quantity of imports. But action by the tariff has not been abandoned, as may be seen from the increase voted on March 15, 1932, of the general import *ad valorem* duty of 2 per cent to 6 per cent for manufactured articles and to 4 per cent for half-made articles, only raw materials remaining at 2 per cent.

One of the latest and most sensational events is, of course, the conversion of Great Britain to protectionism. In November, 1931, Parliament gave the Board of Trade power to impose duties up to 100 per cent *ad valorem* on imports coming into the country in unusual quantities. But the most important event was the institution of a general 10 per cent *ad valorem* duty (on commodities not hit by already existing duties) which was voted in the beginning of February and represented the final abandonment of free trade policy which had been followed for some 80 years.

Germany took measures during 1931 to protect her agriculture and increased the turnover tax to 2 per cent. In 1932 a super-tariff, providing increases attaining in some cases a proportion of from 3 to 100 has been established, but it is to be applied only to certain Polish and Canadian imports as from April 1, 1932. It is believed that this tariff will be used for bargaining purposes.

Fifty-seven other countries (of which 18 were British possessions or Dominions) either raised import duties or took some form of import restriction.¹⁰ With the four countries already mentioned this gives a total of 61.

⁸ This is the so-called "Loi du Cadenas," or Law of the Lock, permitting immediate action at the frontiers.

⁹ Wood pulp and certain kinds of paper, respectively, by law of April 22, 1931.

¹⁰ British Empire: Ireland, Canada, Australia, New Zealand, Union of South Africa, India, Cyprus, Rhodesia, Kenia-Uganda-Tanganyika, Nyassaland, Straights Settlements, Federated Malay States, Fiji, British West Indies, Bahamas, Gold Coast, Sierra Leone, Gambia.

Other countries: Belgium, Holland, Switzerland, Italy, Spain, Portugal, Austria, Hungary, Poland, Czechoslovakia, Sweden, Denmark, Norway, Esthonia, Finland,

A consequence of tariff increases is the almost inevitable retaliation.¹¹ From the viewpoint of the consumer they are obnoxious by maintaining a higher price of living, and industries complain that taxation of raw material increases the cost of production. Besides, once a protective measure has been adopted, it is difficult to remove it because the industries have learned to depend on this protection and because the importance of vested interests has probably increased.

However, in an important number of cases tariff protection is not only necessary but entirely justified. It is the minor tragedy of every student of present-day protectionism to find that there is nearly always some perfectly reasonable justification for the measures which at first sight appear to do the greatest damage, and seem both unjust and unreasonable.

A good illustration of the necessity of protection may be found in the memorandum of the British National Federation of Iron and Steel Manufacturers to the British Board of Trade. According to this document,¹² British production of pig iron in 1931 was only 36 per cent of the output of 1913 and 51 per cent of the output of 1924, whilst imports were rising every month. It is significant that most acute competition was not coming from either America or Germany, reputed for the efficiency of their industry, but from low-wage Belgium and Luxembourg. The memorandum also pointed out that if existing conditions were allowed to persist the industry would collapse.

On the other hand, British protectionism, combined with the depreciation of the pound, increased employment in the country¹³ and made foreign interests seek to establish factories within Great Britain¹⁴ in cases where this was the only way for them to keep in the market.

Contingents

Finding tariffs an insufficient protection, European governments instituted import quotas on certain goods in the course of 1931. Quotas were originally instituted by private international cartels¹⁵ for the limita-

Latvia, Lithuania, Bulgaria, Greece, Egypt, Yugoslavia, Turkey, Persia, Siam, China, Mexico, Costa Rica, Honduras, Nicaragua, San Salvador, Cuba, Argentine, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay. *Bulletin Quotidien*, Paris, Feb. 18, 1932.

¹¹ Introduction of reciprocity clause for 47 articles imported into Canada from the U. S. France retaliated to the fall of the pound by the creation of an exchange-compensation surtax of 15 per cent (now removed from about 64 per cent of British goods).

¹² *Times*, London, February 29, 1932.

¹³ In February, 1932, unemployment was lower by 38,000 than during the corresponding period of 1931; it has been decreasing for some time.

¹⁴ Some 40 such factories have already been opened and about 250 more are under consideration (*Parliamentary Reports*).

¹⁵ *The International Cartel Movement*, by Louis Domeratzky, publication of the United States Department of Commerce.

tion of production, division of markets, or maintenance of price. Their adoption by some European and other governments opens a new chapter in economic history.

Quotas are usually instituted upon the demand of the domestic trade organization concerned and fix the amount of a certain commodity each foreign country may import during a given period of time. Usually only the principal importing countries are specified, a small provision being made for "other countries." Quotas are fixed for three months in most cases and permit the importation of a specified percentage of the average imports of the commodity in question during the previous one, two or three years.

Objections based on the most-favored-nation clause have been raised in this connection. This objection cannot be raised in cases of aggregate quotas, *i.e.*, of quotas fixing only the total limit of imports without making any specifications as to the repartition between countries of origin. But such quotas are very rare as they cause a rush of all importers to get by the customs before the limit is attained. The same objection can be made when one country imports all of the commodity limited by a quota. This is also the case of internal regulations, which cannot be considered as being import restrictions but which in practice amount to trade barriers.¹⁶ But when contingents are instituted and allotted by a government by autonomous act, the situation is not so clear and may be considered as leading to a violation of the most-favored-nation clause as the allotted quotas disturb the freedom of competition between the countries concerned.¹⁷

Here again France offers the best example of the working of this system, as the country which seems to have applied it on the widest scale. Between July, 1931, and January, 1932, quota regulations were applied to 218 items¹⁸ currently imported into France and other regulations are continually increasing this figure.

The list of items subject to limitation of import by quota regulation shows a great variety of commodities; and when the dates of institution of the contingents are taken into consideration it becomes apparent that the government has not been following any definite plan but has been obliged to take action in this or that matter as necessity arose, or as claims for protection were made.

The fact that quotas are assigned upon recommendation of the na-

¹⁶ Italian Decree—Law of December 22, 1931, compelling all domestic slaughterhouses to admit at least 88 per cent Italian bulls.

¹⁷ Finding of the Economic Committee of the League of Nations in its report to the Council on the work of the 55th session, Geneva, June 18-22, 1931.

¹⁸ Including fuel, wood, wines, dairy products, meat, frozen, fresh, salt or smoked fish, poultry, eggs, flowers cut from stem, furniture, ham, sugar, bananas, scythes, sickles, iron and steel in sheets, radio sets, electrical equipment, domestic utensils, apples, prunes, machine tools, pencils, etc.

tional trade organization, usually after consultation with foreign organizations of a similar kind, necessitates the presentation of a certificate of origin for imports. Thus the foreign trade body with which the negotiations have been conducted actually delivers licenses for imports into France.¹⁹

Much ill feeling arises over these quota negotiations and it is often claimed by various importers that their interests have not been taken into consideration and that they have not even been consulted on the matter. American importers into France, for instance, have repeatedly claimed that quota measures were taken without their being given any chance to state their position.

Today at least 16 European countries have taken measures to restrict imports by the institution of quota regulations for a varying number of commodities.²⁰ Some of these have been caused by the necessity of protection and others by a desire of retaliation against restrictions imposed by other countries. Thus Germany reduced the quota of British coal imports following the institution of the British 10 per cent import duty and prohibited vegetable imports from France.²¹

Exchange Restrictions

Though exchange restrictions now in force in numerous countries were not originally taken as a measure of action on the trade balances of the countries concerned but as an inevitable step of protection of otherwise insupportable currencies, in practice they result in a barrier to international trade often quite as effective as tariff increases or quotas and sometimes even much more powerful than the combined effects of the first two measures. In Austria, for instance, foreign exchange is granted only for the purchase of the most necessary commodities and even then to the extent of only a fraction of the sum needed for full payment. The full effect of these restrictions of varying severity may be judged from the fact that of the 32 countries currently dealt with on the Paris money exchange (including France), by the end of March, 1932, 24 countries were applying exchange restrictions,²² whilst of the remaining 8²³ not all were on the gold standard.

¹⁹ Thus German toys can only be imported with a certificate of origin delivered by the Nuremberg Chamber of Commerce.

²⁰ France, Germany, Belgium, Denmark, Esthonia, Holland, Hungary, Italy, Ireland, Latvia, Poland, Portugal, Switzerland, Czechoslovakia, Sweden, Spain.

²¹ Decree of February 28, 1932.

²² Germany, Austria, Bulgaria, Denmark, Spain, Esthonia, Finland, Greece, Yugoslavia, Italy, Latvia, Norway, Portugal, Sweden, Czechoslovakia, Argentine, Colombia, San Salvador, Bolivia, Brazil, Chile, Hungary, Uruguay, Turkey.

²³ France, Great Britain, United States, Belgium, Canada, Holland, Roumania, Switzerland.

Of these three kinds of trade restriction the quota system has been the object of most violent attacks. Whatever the promoters of import quotas may say in their defense—and it has been seen that some of their arguments are perfectly sound—there can be no doubt that the application and extension of this system leads to disastrous results from the viewpoint of international trade. Its first consequence is a feeling of general insecurity, surely the last feeling that ought to be encouraged in the present circumstances, as importers never know just how long they will be permitted to carry on their business. Quotas have often been seen to result in practical prohibition of importation, involving not only the loss of goodwill and valuable contracts but also of important investments which had been made to build up the business.

There is no doubt, for instance, that importers would in many cases have much preferred a substantial increase in duties and would have consented to operate at a loss for some time or to take steps for the reorganization of their business on lines suited to the new conditions, to the sudden and arbitrary curtailment of imports which wipes out their investments.

A common reproach made to the present policies of excessive protectionism is the fact that whilst one section of the economic life of a nation is protected, another section might be deliberately sacrificed. The merchant marine of practically every country can tell a sad tale about the effects of tariffs and contingents which have increased the loss of turnover due to trade depression. According to the estimates of the British Chamber of Shipping, about 18,000,000 tons of vessels, or about 20 per cent of the world tonnage, were laid up at the end of 1931.

No wonder that criticism of such measures runs high even amongst nationals of the countries applying them. Industries complain that raw material is maintained at an artificial price; merchants complain of their inability to supply customers with the required goods; importers are ruined and the welfare of exporters gravely menaced by retaliation.

Perhaps the best criticism of the quota system has been given by Mr. Silas H. Strawn, President of the United States Chamber of Commerce at a meeting of the International Chamber of Commerce in Paris on March 11, 1932. Mr. Strawn said that:

- (1) The adoption of quota systems is an additional and drastic restriction on trade, finance, and industry.
- (2) It is an arbitrary dislocation of the natural flow of commerce.
- (3) It destroys existing machinery of production and transportation, established at great expense over long periods of time.
- (4) It is an unwarranted invasion of government into the field of private enterprise.

(5) It is an irritating step in economic warfare which will tend greatly to destroy friendly international relations.

(6) It amounts, in many cases, to a violation of the spirit, if not indeed of the letter, of commercial treaties.

(7) It will ultimately result in the ignoring, if not indeed of practical denunciation, of existing commercial treaties.

(8) It will inevitably lead to retaliation by the countries arbitrarily discriminated against, which may be extended to restrictions upon the movement of capital or the sale of services.

Small wonder that in the maze of such international barriers trade hardly finds a possibility of carrying on profitable business. Depression has strengthened the vicious circle of import restrictions and retaliation until most countries today are becoming more and more isolated.

That a state of total isolation cannot be the final, logical conclusion of the process is too evident a fact to necessitate any insistence. In the meanwhile many countries are wandering on the path leading to "splendid isolation." But even now such isolation as has been attained proves unbearable. This has already led to some developments which are highly interesting from the historical and scientific viewpoint.

Faced with the collapse of their monetary systems, with the impossibility of either exporting their products or of paying for the necessary raw material, countries have been now forced to revert to barter, the most primitive manifestation of trade. Barter clauses have been inserted into many of the recent Central European clearing agreements, but also purely barter agreements have been concluded. Thus Poland signed an agreement with Bulgaria according to which it would deliver 16,000 tons of rails to Bulgaria in exchange for Bulgarian tobacco;²⁴ other negotiations are now being conducted between Brazil and Roumania for the barter of Brazilian coffee against Roumanian oil, and between Brazil and Germany for the barter of a certain amount of coffee against 75,000 tons of Ruhr coal.

In the reappearance of this mediaeval form of trade in the midst of our highly differentiated and modern economic structure lies the most striking condemnation of the present state of affairs and the proof that the Chinese walls which have been erected on so many frontiers have to be broken through in some way when they rise to an excessive height.

The present crisis has made particularly acute the battle between two economic necessities: the obligation of protecting domestic labor and the necessity of having some intercourse with other countries. Since the month of June, 1931, the first force has had the upper hand in the struggle, but opposition grows as it progresses. It is still too

²⁴ Reported by *Le Temps*, Paris, March 22, 1932.

early to make any guesses as to the level on which these conflicting forces will eventually find a balance. It is equally impossible to say what form this balance will take. All that can be done is an examination of today's tendencies and the probable results they will lead to.

In this respect it may be surprising that a solution is sometimes expected from the system of contingents, the very system which, recommended by protectionists, so effectively limits foreign trade. It is pointed out that in certain circumstances quotas can have beneficial effects. When a country is so bound by commercial agreements stipulating the most-favored-nation treatment that any decrease in its tariff would lead to an immediate invasion of its market, the limiting of imports by quotas and the allotment of import licenses to another power in exchange for a similar advantage in some other field, leads to an overcoming of the tariff walls by avoiding of maximum duties. Contingents thus permit a certain limited amount of business to be transacted, without endangering the existence of any domestic industry.

It is, therefore, sometimes believed that quotas might finally prove to be a blessing in disguise and permit the regulation of international trade in a manner insuring the maximum possible employment in each market with the simultaneous possibility of a certain amount of foreign sales. Of course a country not connected by such bilateral or plurilateral agreements with a group of countries applying this system will find itself practically excluded from any trade with their block.

When following this path, governments will not be treading new grounds but only continuing the work of private international cartels.²⁵ It is even only reasonable to believe that the initiative of government regulations will be left to private trade organizations (as is the case in France at present), so that it will be finally the trades of the various countries which will have to find satisfactory ways of regulating their markets.

The proposed Danubian Confederation, recently discussed in Geneva, appears to be a step in this direction. Austria, Hungary and Czechoslovakia would be the partners of the group, with possible participation of Roumania and Bulgaria. These countries, suffering acutely from the present situation, would grant each other preferential treatment for specified quantities of certain goods.

It is a matter of conjecture whether this agreement will ever come to be signed or how it will work. But it is important as an indication of a possible change of the tide and as an attempt to reorganize economic relations on lines of greater stability. That this movement has

²⁵ *The International Cartel Movement*, by Louis Domeratzky, published by the United States Department of Commerce.

already taken some extension may be seen from the increasing number of bilateral agreements concluded since the beginning of the year.²⁶ Many of these, of course, are only arrangements for liquidation of outstanding obligations and for compensation through special clearing organizations of future trade dealings, but they are often considered as being the beginning of a new era of regulated and controlled foreign trade.

Optimists already see in this system the basis of a Pan-European economic body, possibly opposed to the United States or a Pan-American economic block, while pessimists pertinently point to the more immediate and more definite results in the form of ruined international trade.

W. A. SOLLOHUB

Paris, France

* Italy-Hungary, Hungary-Germany, Italy-Spain, France-Latvia, France-Hungary, France-Greece, France-Italy, France-Austria, etc.

AN ANALYSIS OF THE WISCONSIN UNEMPLOYMENT COMPENSATION ACT

* The Wisconsin Unemployment Compensation act deserves recognition not only as the first unemployment insurance law enacted in the United States, but also as a pioneer in substituting the principle of unemployment reserves contributed by employers alone for the better known plans of joint contributions involving employers, employees and the state. The primary purpose of the law is to bring about industrial planning as a means of stabilizing employment, while unemployment benefits are regarded as a necessary adjunct to the extent that complete stabilization cannot be obtained. The Wisconsin law, unlike most European legislation on this subject, is so drafted as to preclude the possibility of fusing unemployment insurance with public charity. The chief criticism of the law is found in its application only to the larger employers, and in the relatively small reserves required per employee which will limit its effectiveness. In general, the Wisconsin plan is simple and direct of application, possesses no outstanding weaknesses, and should function effectively. It will, in all probability, serve as a basis for future unemployment legislation in this country.

In times of prosperity unemployment is looked upon as a matter of individual maladjustment—as something resulting from personal inaptitude, laziness, or defect of character. Unemployment as a result of sickness or accident is, of course, recognized as beyond individual control, and certain societal devices such as poor relief and workmen's compensation have been developed to distribute more justly the burden. The suggestion of unemployment insurance, however, furnishing protection against the ill effects of enforced idleness resulting from nonpersonal causes, usually economic in nature, has generally been thrown aside as incompatible with American institutions and democracy. This hostility has been particularly keen during periods of normal business activity or prosperity. Work is to be had, it is usually contended, if one will but look for it. Society has no time or patience to waste on the drone or loafer.

Quite different, however, is the story when depression and long-continued, involuntary idleness and unemployment face masses of the population. "Something must be done" is the cry heard on every side; and legislators forthwith proceed to earn their salaries by introducing ill-conceived, and sometimes wild and fantastic legislation designed to do that "something." Employment is to be stabilized by resort to public works, while taxes are to be reduced by curtailing or eliminating those very public works! Public employment exchanges are to be increased and their functions enlarged, but the new balance-budgeting economy program may necessitate the closing of those that already exist! Among the various remedies most widely discussed is unemployment insurance. Fortunately, however, certain European countries, notably Great Britain, have shown how easy it is, when political expediency seems to demand it, to depart from true insurance principles, and to confound poor relief with insurance. The average man knows little about this fusion in English unemployment insurance, but he has heard much about the consequent "dole" and its evils. As a result, unemployment insurance

has not become a shibboleth of American politics and recommended as a panacea for all of our ills. Were it not for the recent trials and tribulations of the English system, it is probable that there would have been a veritable epidemic of unsound unemployment insurance schemes adopted in the various states of the Union.

Genesis of the first American unemployment insurance law. To date, Wisconsin enjoys the unique distinction of being the first and only American state to have an unemployment insurance law. This need occasion no surprise, for Wisconsin has long held an enviable position as a pioneer in social and protective labor legislation. Thus, among other accomplishments, Wisconsin was one of the first states to provide for compulsory workmen's compensation in 1911 through an act which was decidedly liberal at that time; it possesses one of the earliest old-age pension or assistance laws in the United States, and was the first of the states actually to provide state funds as a supplement to those of the county for this purpose.

The agitation for unemployment insurance in Wisconsin had been carried on for a great many years before its fruition in the present law. In 1921, Senator Huber introduced in the upper house of the state legislature an unemployment insurance bill, planned and drafted by Professor John R. Commons of the University of Wisconsin. This bill, although defeated, rejected the European system of contributory premiums from employer, employee, and the state, and the maintenance of a common fund for the payment of benefits to employees of all employers. Instead, it substituted the idea of unemployment reserves provided by the employers alone, with stress upon the employers' responsibility for stabilizing employment. This principle remained the keynote of all subsequent proposals and was incorporated in the Groves bill, prepared and introduced before the regular session of the state legislature in 1931 by Assemblyman Harold M. Groves, a professor of economics in the University of Wisconsin. This bill, however, did not meet with an immediate and favorable response from employers as a whole, although its conservative nature was apparent to all. The employers urged further study and the formation of a plan which would permit voluntary acceptance; others favored the contributory principle so that part of the cost would be borne directly by the worker. The Groves bill failed to come to a vote during the regular session of the legislature, which closed in June, and was referred to an "Interim Committee on Unemployment" for further consideration. When the special session of the legislature convened later in the year, a majority of the committee reported favorably on the bill, which, as a matter of fact, had been considerably improved over the original draft, and urged its immediate adoption. The imminence of a compulsory unemployment insurance law

brought forth determined opposition from the Wisconsin Manufacturers' Association and other employers who now proposed drafting a substitute plan providing for voluntary adoption. At this juncture, Governor La Follette, who throughout had been receptive to the proposed act, urged the inclusion of a proviso that the compulsory features of the law should not take effect until the opposition had been given an opportunity to establish fair voluntary plans within a reasonable length of time. With this apparent concession and the assistance of the administration, the Groves bill was passed by both Assembly and Senate, and became a law January 28, 1932, upon receiving the governor's signature.

*The Wisconsin Unemployment Compensation act.*¹ In the declaration of public policy prefacing the Wisconsin Unemployment Reserves and Compensation act, the express purpose of this legislation is declared to be that of reducing the burden of irregular employment which falls with crushing force directly upon the worker and his family, and results in an excessive drain upon agencies of private relief and public charity. To this end, the following principles are laid down: (1) that employers and employees should coöperate, in advisory committees under government supervision, to promote and encourage the steadiest possible employment; (2) that the state should provide at the expense of employers a more adequate system of free public employment exchanges to place workers more efficiently, and to shorten the period between jobs; (3) that education and retraining of workers during their unemployment should be encouraged; (4) that governmental construction providing emergency relief through work and wages should be stimulated; and (5) that fairness demands that industrial and business units bear at least part of the social cost of unemployment caused by their own irregular operations. The essential purposes of the law are embodied in the first and fifth points—to prevent unemployment as far as possible, and to accomplish at least in part a shift of the loss ensuing as a result of unemployment from the worker to the employer.

The law as it stands today might be termed conditionally compulsory. It becomes a compulsory unemployment insurance law on and after July 1, 1933, provided employers throughout the state do not in the meantime devise and place in operation voluntary plans conforming to certain prerequisites as laid down in the act, and embracing at least 175,000 employees. These prerequisites are the same as the "exemptions," treated at a subsequent point in this paper, and which may be granted to employers under certain conditions if the compulsory state system becomes effective. Should employers, hiring the minimum of 175,000 work-

¹ Chapter 20, Laws of Special Session, 1931.

ers, undertake satisfactory voluntary schemes, the compulsory plan is not to go into effect. This would, of course, leave the workers of other employers, who refrained from adopting any voluntary scheme, without the protection assured to those in the service of participating employers. Inasmuch as the law is restricted to employers of ten or more workers, and many classes of employees, such as farm laborers, personal or domestic servants, certain public employees, and school teachers, are specifically excluded, it seems probable that employers covered by the law will not be able to bring as many as 175,000 workers under voluntary schemes by July 1, 1933, and that the compulsory plan will take effect at that time. Let us now examine the compulsory features of the Wisconsin law.

Entire cost to be shouldered by industry. The Wisconsin plan is unique in that all insurance costs are placed directly upon the employers, whereas in practically all the foreign systems the burden is shared either by employers and employees or by these two groups and the government. All individuals, partnerships, associations or corporations, the state, and all political sub-divisions thereof, which have employed for four months or more during the preceding calendar year ten or more persons in employments not specifically excluded, are made amenable to the law. Every such employer is required to pay into an unemployment reserve fund created for the purpose two per cent of his annual payroll. The term "payroll" includes all wages, salaries and remuneration paid to employees subject to the law, but does not include the amount paid to officers or employees hired on a contractual basis at salaries in excess of \$1,500 per year or, if for less than a year, \$300 per month. During an employer's first two years of contribution payments, and at such times thereafter when his unemployment reserve is less than \$55 per employee, he is required to contribute to the fund at the rate of two per cent of his annual payroll. After the second year of participation an employer may reduce his contribution to one per cent of his annual payroll, provided the reserves per employee are in excess of \$55. When the reserves total \$75 or more per employee he is no longer compelled to make contributions until the reserves drop below that figure. Employers' contributions are made deductible under the Wisconsin income tax law.

The unemployment insurance act denies the employer the right to collect contributions from his employees if such sums are to be used to pay any portion of the amount due from the employer. Employee contributions may, however, be collected if they are in addition to the employer's legal contributions and are to be used to pay additional benefits to such employees as may participate. In that event a separate account must be kept of each employee's contributions.

Every employer, whether exempted or not, is required to keep a true and accurate record of each of his employees as to eligibility to receive unemployment benefits, the hours worked by each employee, and the compensation paid to him. These records must be available to the commission or its authorized representatives for inspection at any reasonable time.

Unemployment reserve fund. The individual employer does not keep his own unemployment reserve fund, but must pay the proceeds into an "Unemployment Reserve Fund," administered by the state industrial commission. However, a separate account is kept by the industrial commission for each employer. The individual employer's reserves are devoted exclusively to the payment of benefits to his own employees. Employers' accounts can never be merged unless two or more employers file a written application to consolidate their separate accounts into a new joint account for the purpose of regularizing employment by cooperative activity. Upon such application the commission may establish at its discretion a joint account, drawing up at the same time rules and regulations relative to its control and dissolution when deemed advisable. Contributions payable to the unemployment fund are collected by the industrial commission and paid over to the state treasurer to be credited to this specific fund.

Payments from the fund can only be made upon voucher from the industrial commission itself. Assuming that money not needed for current use can best be invested by a specialized body, the law provides that the reserve fund shall be invested by the state annuity and investment board in readily marketable obligations of the United States, the various states, or their political subdivisions. The investments must be such as can be readily converted into cash when needed. Whatever net earnings accrue to the unemployment reserve fund are to be apportioned by the commission equitably to the various employers' accounts. Money from the unemployment reserve fund may be used by the state or any of its political subdivisions during a period of unemployment for work furnished by such units of government in the nature of unemployment relief measures, provided these projects conform to standards of wages and conditions prescribed by the commission. In that event the proportion of wages equivalent to the unemployment benefits which would otherwise have been granted to such employees is deducted, as paid from the individual reserves of employers to their respective unemployed workers now benefiting from the public works program. In other words, the effect is the same as though the employees were actually drawing their unemployment benefits directly from the unemployment fund.

Employers going out of business, or being exempted from the provisions of the act for some reason or other, are entitled to receive the

balance standing to their credit in the fund at the expiration of a six-month period. In cases where an employer transfers his business in whole or in part, the successor is required to take over the resources and liabilities of the former's account to the extent of such transfer. In cases of bankruptcy or insolvency, any unpaid benefit claims or sums due the unemployment reserve fund are treated as preferred claims.

The unemployment administration fund. Not only is industry required to provide unemployment reserves, but it is also required to furnish the funds for the administration, under the auspices of the state, of those reserves. Thus, the state furnishes no financial support for the entire plan; it merely undertakes to administer the provisions of the law at the expense of employers. Every employer covered by the law, including those exempted by virtue of having set up a private plan sanctioned by the industrial commission, is required to contribute two-tenths of one per cent per annum on his payroll to an administration fund to be used for carrying out the provisions of the unemployment compensation act. A further source of revenue is found in the unique provision that whenever a non-qualified employee² loses his job under such conditions as would have ordinarily assured him benefits if qualified, the employer's account is at once liable to pay to the administration fund a lump sum at the rate of five dollars for each four weeks during which such non-qualified worker was employed, but the total is not to be in excess of the amount of reserve per employee in the employer's account at the beginning of the current month.

Administration. The actual administration of the law is vested in the state industrial commission, which has power to adopt and enforce all rules and regulations necessary to carry out the provisions of the act. The commission may require reports from employers, whether exempted or not, regarding employment, wages, hours of labor, and related matters. Among the more important powers granted to it is that of establishing and maintaining as many free public employment offices and district appeal boards as may be necessary to carry out the provisions of the act. It may also appoint advisory employment committees for the various industries, for local districts, or for the state at large. Such advisory groups are to serve without pay, and members are to be selected from the ranks of employers, employees, and the public. Research work by experts employed by the commission is to be carried on through these advisory committees for the purpose of regularizing employment within the state.

² A non-qualified employee is defined as one who is ineligible for benefits because of not having maintained residence in Wisconsin for the past two years, or who has not been gainfully employed within the state for 40 weeks within such two-year period.

Exemptions. The commission is empowered to exempt employers from the operation of the law under certain circumstances. Thus an employer may be exempted if he guarantees to all of his workers, and to each new employee after a probation period of one month's employment, at least 42 weeks of work or wages for at least 36 hours per week. Here again, it is to be noted that the chief stress is placed upon the prevention of unemployment. An employer or a group of employers may secure exemption from the compulsory features of the law in still another fashion, by presenting to the industrial commission a satisfactory scheme for unemployment benefits equal to or greater than those provided by the compulsory plan. If contributions are received from employees, the accounts must be so kept as to indicate the contributions of each employee; and the commission may require that the employees be given the right to choose their own representative to assist in the direct administration of the plan. Furthermore, the commission may require, as a condition of granting exemption, that the employer or group of employers furnish security sufficient to assure the payment of all promised benefits or wages, and the setting up of proper reserves. Every plan approved by the commission is treated as an express contract between each employer and every other employer participating in the plan, and between the employer or group of employers on the one hand, and, on the other, all of their employees who are thereby covered. No abandonment or modification is, for that reason, permitted without the sanction of the commission.

The law expressly prohibits exempted employers from insuring their liability to pay benefits or wages in any insurance company. Any such agreement automatically operates as a revocation of the exemption.

The industrial commission reserves the right to revoke any exemption for just cause, such as failure to maintain reserves, to fulfill promises of unemployment benefits to employees, to furnish required reports, or to comply with the regulations and orders of the commission respecting the administration of the private plan. If such a plan is terminated by action of the commission or voluntarily by the employer, or group of employers, all contributions which would have been standing to such employers' accounts had they formerly been contributing to the state fund must now be paid into that fund, since the termination of an exemption automatically brings such employers under the state plan. If the voluntary termination results from going out of business, a sum sufficient to cover all benefit liabilities which may accrue for a given period thereafter must be deposited with the state fund. At the expiration of the period the unexpended portion of the deposit is returned.

Benefits. Benefits at the rate of \$10 per week or 50 per cent of the workers' average weekly wage, whichever is lower, are payable to each

eligible employee. If, in any case, 50 per cent of the weekly wage is less than \$5, benefits to that amount are given nevertheless. Inasmuch as many workers may secure part-time employment, the benefit payable for partial unemployment is the difference between a worker's actual wages for the week and the weekly benefit to which he would be entitled if totally unemployed. The law provides for a definite limitation of benefits to 10 weeks in any calendar year for total unemployment or an equivalent for either partial, or partial and total unemployment combined.

Extent of employer's liability for benefits. In an effort to secure justice for the employer, the law lays down the qualification that an eligible employee is entitled to receive benefits from his employer's account in the ratio of one week of total unemployment benefit (or an equivalent amount of partial unemployment benefit) to each four weeks of service performed for his employer during the year immediately preceding his lay-off. The maximum period for benefits is limited, of course, to 10 weeks in any calendar year as already indicated. The employee's right to benefit is further conditioned by the requirement that he must have served his employer for at least two weeks during the year preceding his unemployment, if a wage earner; if employed on a fixed monthly salary basis the minimum period of service required for eligibility to benefits is one month during the year preceding unemployment. The employer's account, however, is in no case liable to pay benefits to an employee for any unemployment occurring more than six months after the date on which the worker last performed services for such employer.³ This provision seems inconsistent, however, with that fixing the liability of successive employers⁴ which implies a continuance of the employer's liability for benefits throughout a twelve-month period. The latter provision states that when any employee is engaged by more than one employer during any twelve-month period, the payment of benefits due such an employee is to be made from the successive employer's accounts in inverse order to the worker's successive employments. Thus, the most recent employer is first liable for benefits, then the next most recent employer for the second last employment of the worker, and so on.

The employer's liability is further conditioned by the proviso that his account shall at no time be responsible for benefits in excess of its current resources, or such resources as the account would have if all contributions due under the law had been paid. Therefore, the benefit liability for any month may be reduced, depending on the adequacy of the account, at the beginning of the month. Thus, if the reserve at the beginning of the month amounts to \$50 or more per employee, the account is liable for and must pay in full all valid benefit claims; if the reserve is

³Section 108.06.

⁴Section 108.07.

over \$45 but less than \$50, the maximum weekly benefit is reduced to \$9. Additional reductions of \$1 per week are made for each further drop of \$5 in the reserves per employee.

Eligibility of employees to receive benefits. The first prerequisite for the employee seeking unemployment benefits as specified by law is to give notice of his unemployment at the public employment office for the district in which he is located, or where he was last employed. He may be required to report the continuance of his unemployment from time to time as the commission may direct. Notification, however, may be waived by the commission for just cause, including administrative feasibility. Thus, if it is not possible to develop an extensive system of public employment exchanges within the next year or so, that fact will not interfere with the operation of the unemployment compensation law. It is likewise within the discretion of the commission to require from any or each employer notification of total or partial unemployment of any of his employees. This may prove a valuable additional check in passing upon the validity of claims for compensation.

Further conditions determining an employee's eligibility for benefits include proof of his physical ability to work and his availability at the employer's call; that his weekly wages in any subsequent job which he might have secured are less than \$10, in which event he is entitled to the difference between the actual wage received and the benefit which he would normally receive if totally unemployed; and in the case of total unemployment, that a waiting period of two weeks has elapsed since his last employment. A similar waiting period must elapse before the employee can recover compensation from any other employers for whom he may have worked during the year preceding the current unemployment.

An employee is debarred from claiming benefits for total unemployment based on his previous weeks of unemployment if he has been dismissed for misconduct, or has left his job voluntarily without fault of the employer. Likewise, no benefits are payable for unemployment caused by a trade dispute, an act of God, such as fire, flood, or similar catastrophe affecting the place of his employment, or if the employee is a student who was taken on by the employer only for the customary summer vacation period. Persons who are ordinarily self-employed, but who accept temporary employment with an employer covered by the compensation law for a period of not more than five months, and who can at the termination of such temporary employment be reasonably expected to return to their former state of self-employment, are ineligible for benefits.

Compensation for total unemployment automatically terminates if a workman without good cause refuses to accept suitable employment offered to him, or fails to apply for work when notified by the district

public employment agency of some suitable opening. Suitable employment is defined as work in one's usual occupation, or in some other field of labor for which he is reasonably fitted, provided it is in the vicinity of his residence or his previous employment, and gives him wages at least equal to his weekly benefit for total unemployment, or provides him work for at least half the number of hours normally worked as full time in such occupation or establishment. It is important at this point to observe that an unemployed worker has no right to refuse offers of work for which he is fitted merely because wages in that occupation are not as high as in his own or because he does not choose to deviate from his usual occupation or trade. To refuse an offer of work under such conditions would result in ineligibility for further benefits. However, if the wages, hours, and conditions of employment offered are not equivalent to those prevailing for similar work in the locality, or are such as would tend to depress wages and working conditions, the unemployed may refuse without jeopardizing his right to further unemployment compensation. Refusal to accept employment in a situation vacant by reason of a strike, lockout, or other labor dispute does not disqualify an unemployed person from drawing the benefits to which he is normally entitled.

The payment of benefits. The industrial commission is not only the custodian of the various employers' unemployment reserve accounts, but it also administers the payment of benefits to eligible employees of such employers. The first payments are not to commence, however, until one year after the employer has started to make regular and continuing contributions. The time and method of paying benefits is left to the discretion of the commission.

Any employee eligible for unemployment compensation is required to file his claim with the superintendent of the nearest public employment agency or with a deputy appointed by the industrial commission for that purpose. The superintendent or deputy thereupon passes upon the claim, either accepting it if apparently valid, or rejecting it. The claimant is then notified, according to the regulations laid down in the law, and if dissatisfied may appeal the decision within a definite period which is to be determined by the commission. Similarly, the employer may contest any decision. The superintendent of the district public employment agency or the deputy appointed by the commission has original jurisdiction in case of a dispute, but if the decision of such agency is unsatisfactory, either employer or employee may carry the case to an appeal board representing employers, employees, and the public, which is to be appointed in each employment office district by the industrial commission. Appeals from the district board may be reviewed by a representative of the commission or by the commission itself. Any

modification or change in the decree must be rendered within 20 days, otherwise the contested decision becomes the final decision of the commission.

In order to protect the workman to the fullest extent, the law denies him the right to waive his rights to benefit, and prohibits the assignment of any claim for benefit either under the state plan or under any voluntary unemployment benefit plan. Likewise, no claim for benefits awarded, adjudged, or paid to a workman may be seized for debts which he may have contracted.

Observations. The Wisconsin Unemployment Compensation law is fundamentally sound and promises to be effective in times of normal business activity and during minor depression periods. The limitation on the length of time for which benefits may be drawn and the modest reserve requirements of \$75 per employee make it obvious that the plan cannot care for the unemployed throughout a prolonged industrial depression such as we have witnessed over the past three years. Inasmuch as the most important purpose of the law is to stabilize employment, it might well be that a somewhat larger employer's reserve would accomplish that purpose more effectively and at the same time provide a greater measure of security for the workman during periods of unusual business inactivity.

In many respects the scope of the law seems somewhat too narrow, since it applies only to employers hiring ten or more workmen. The inclusion of employers, for instance, having in their service regularly four or more workers would add tremendously to the effective coverage of the law and encourage the same efforts at stabilization of labor among the small employers as is expected to occur among the larger employers. Moreover, it would eliminate the relative advantage which the small employers, according to the present provisions of the law, secure by not being required to set aside two per cent of their payroll for unemployment benefits; for in a competitive market for a given grade of labor the same wages are usually paid by both large and small employers. The average worker's valuation of present labor income is usually so high that he is loath to accept voluntarily a deduction as payment for possible future benefits which appear quite remote at the time.

If an eligible employee, laid off by his employer, takes employment with some other employer not subject to the law, the former employer's liability for benefit continues should the worker again be without a job. His liability is automatically terminated in the event that he recalls his former employee for regular work and the latter refuses to come. It is conceivable that this provision will occasionally work against the small employer hiring less than ten workers, the farmer, and others who are specifically excluded or exempted by the law; for in times of

business revival many workingmen will prefer, at market wages, to return to a previous employer, or to enter the service of an employer who, by law, must provide for unemployment benefits.

It may be objected that the Wisconsin plan, in common with all unemployment insurance schemes, will encourage malingering. That many men deliberately choose idleness in preference to work when unemployment benefits are available is still a moot point. The maintenance of accustomed standards of living for the majority of members of the working classes necessitates far more than unemployment benefits can offer, however; and for that reason alone probably the average workman would not willingly invite idleness. This is particularly true in Wisconsin where the people enjoy relatively high standards of living and where the unemployment benefits are too small in amount and are given for too short a period to be likely to develop a spirit of malingering.

To the casual observer the unemployment reserve which each employer is required to maintain might seem to be a compulsory two per cent increase in wages for his employees. This, however, is not true because the employees' claim to the reserve can only materialize through unemployment; naturally those who are almost continually employed will seldom receive benefits, while the less efficient, and therefore intermittently employed, will be frequent beneficiaries. The incidence of the two per cent reserve would seem to rest at times upon the consuming public, at other times upon the employers, or the employees, and sometimes to be shared by any two or all three of these groups. The question of incidence in this case is just as elusive as it is in the case of taxes upon the employer or his products. To follow the usual line of reasoning, where labor is the long or abundant factor in production, one might readily suspect that the employer will be fairly successful in discounting this additional cost in the wages he pays; for at such times it is generally difficult to shift this charge directly upon the consumer. In periods of average business activity when labor is relatively scarce, the employer is certain to experience considerable opposition if he attempts to shift the unemployment reserve contributions to labor. The size of the burden assumed by labor depends upon the state of demand for labor services. More likely than not the consumer will be forced to shoulder a larger and larger share of this cost as economic activity increases. An era of prosperity generally gives labor an improved bargaining power, which fact, coupled with a heavy demand for labor services, renders it virtually impossible to throw any of the cost of this form of employment insurance upon the worker. The employer also is in a more favorable position in that the demand for his products may be so great that he can throw the entire burden upon the consumer.

Such conclusions, however, must be tempered by the unique fact that

this unemployment insurance law applies to Wisconsin alone, and to a limited number of the employers within that state. Thus, the employers so covered must compete not only with many thousands of small Wisconsin employers exempted by law, but also with vastly greater numbers operating outside of the state and therefore not subject to the Wisconsin unemployment insurance act. It is apparent at once that the efforts of the larger employers to shift unemployment reserve contributions to labor and the consuming public will be far more complicated and difficult than at first appeared. Thus, in the first instance, success would depend upon jobs with non-exempted employers becoming so attractive to labor that the worker would voluntarily accept a wage discounting the amount of unemployment contributions set aside for him in exchange for a reasonable degree of security of employment or, in lieu thereof, unemployment benefits. In the second instance, it would depend upon the power of the non-exempted Wisconsin employers to control prices of their commodities in the markets served by them, whether in Wisconsin or elsewhere, to such an extent as to include this additional cost. Such control would seem to be small indeed because of competition from without the state and from exempted producers within the state. One is thus forced to the conclusion that in all probability the amounts required for unemployment reserves will have to be absorbed by the Wisconsin employers covered by the law, and that it may conceivably effect a recapitalization of the wealth involved, based upon this limitation of earning power.

An interesting question is raised as to the probable effect of the law upon interstate migration of labor. It would seem as though the very existence of the unemployment compensation law might deter Wisconsin residents from seeking work in neighboring states—where they would have no protection in case of unemployment. On the other hand, since an employee is ineligible for benefits unless he has resided in the state for two years preceding his unemployment, or has been gainfully employed in the state for 40 weeks within the two-year period, a loophole is apparently opened for Wisconsin employers to bring in non-residents for temporary employment, thus escaping payment of two per cent on the payroll for such employees. This opening, however, is adroitly closed in large part by the requirement that the employer pay into the administration fund a lump sum equivalent to the minimum benefit the non-resident employee would have received if he had been eligible for benefits. It is thus improbable that the Wisconsin law will have any decided bearing upon the interstate mobility of labor; certainly it will not induce Wisconsin employers to import labor from other areas into the state. Rather, the law would seem conducive to restriction of interstate mobility of labor.

With reference to the interstate mobility of enterprise, it is unlikely that the two per cent addition to the payroll will be sufficient to cause many enterprises to leave the state, especially if they have large fixed investments in plant and equipment. It may, however, deter new enterprises from moving into the state.

A criticism of more than passing moment needs to be directed at the provisions relating to the schedule of flat-rate benefits for unemployment. In the absence of an effective system for stabilizing the dollar the real benefits received by the unemployed will be subject to all the vicissitudes of the changing price level. For instance, let us say the flat rate of \$10 per week, based on the price level prevailing at the time of the passage of the law, was deemed sufficient to help tide a family over a period of economic adversity. But if an inflationary movement is introduced in the near future (and does not fulfill the sanguine hopes held by many of curing unemployment), the \$10 per week unemployment benefit would have a greatly reduced purchasing power. The converse, of course, holds true in the event of further deflation. Future benefits, then, are not apt to be in line with the real benefit which the legislators intended to give, and did provide for at the moment. A better plan, no doubt, would be to permit a flexible rate of benefit designed to secure a purchasing power equivalent to the dollar of today. Under this plan the employers' reserves would necessarily have to be raised or lowered at periodic intervals in order to maintain the definite ratio already established between weekly benefits and reserves per employee.

The most common objection to unemployment insurance in general is that it provides an opening wedge for the dole, in other words for the blending of poor relief and unemployment benefits. This objection is not valid in the present instance. The state of Wisconsin fixes the entire responsibility for unemployment upon the employers—assessing them the full cost of all benefits payable to their respective employees plus the entire cost of administering the system. The state, through its industrial commission, administers the law, and stands in the position of an impartial arbiter between employers and employees with reference to unemployment compensation. Neither the state's pocketbook nor that of the employee group is directly involved; every dollar of benefit is provided by the employers. When the full amount of benefit has been drawn by an employee, thus terminating his employer's liability toward him, he is placed entirely upon his own resources. If these are exhausted he may be forced to turn to public charity for relief.⁵ Thus there is a clear line of demarcation between unemployment benefits and poor re-

⁵One should bear in mind that there is no "means" or property test attached to the right to draw benefits. A provident and relatively well-to-do employee, if covered by the law, draws his unemployment compensation under exactly the same conditions as a very poor and impoverished employee.

lief; they are joined together in no way whatsoever. The upshot of this arrangement is that unemployment insurance in Wisconsin affords no opportunity for political capital or manoeuvres. It does not contain even the germ of the justly condemned dole system. Therein the Wisconsin system is in marked contrast to most of the well-known European plans.

The fundamental aim of the Wisconsin Unemployment Compensation act is to force employers to plan their industrial activities and production in such a manner as to reduce unemployment to a minimum. It is realized that the act will not cure unemployment; but it is expected that it will eliminate a considerable amount of that which results from inadequate planning and bad management. Relief in the form of benefits is thus but a secondary purpose of the law, the importance of which will decline in proportion as the primary purpose is effected. The desire to provide jobs rather than benefits is strikingly illustrated in the tie-up with public works, whereby unemployment insurance benefits, plus whatever additional sums as may be needed to pay a "decent" wage and derived from the governmental unit providing work, are used to finance public works. In this manner the employee benefits through a job; the employer profits through having the "benefits," for which he is liable in any event, applied to public improvements, thus reducing the tax burden otherwise required for such improvements; and society gains through having fewer able-bodied, unemployed dependents and their families to support.

The Wisconsin Unemployment Compensation act is a product of long and careful study. It possesses a number of features which may have to be modified if, and after, the law becomes operative to ensure greater flexibility and efficiency; but these are not of such great consequence as to threaten seriously the success of the law. There is every likelihood that the Wisconsin act will set a safe precedent for other states, and that the next few years will witness the enactment of many similar measures.

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THE CORRECTIVES OF THE EXCHANGES

The late development of the theory of the correctives of exchanges even in its crude form is to be traced to the persistence of the mercantilist idea of the desirability of specie imports and to the fact that early price movements were sluggish and that financial institutions were not fully developed. The completer theory was not developed for a long time, though various parts which make it up were well known. Ricardo's interest in long-time and normal cases led him to use the crude form of the theory, and his great authority had much to do with its continued use. Lord Overstone in 1840 gives a rather complete statement of the theory, thus anticipating Goschen and Macleod, often credited with the first formulations of the completer theory. The bankers and financial writers seem to have known of the practical workings of the financial operations involved long before the economists utilized the material in their reasoning.

The development of the theory of the correctives of the exchanges suggests many interesting problems. Why was the simple theory, using only the balance of trade and neglecting the effect of changes in the rate of interest, so late in appearing? Why was not the theory elaborated sooner? Was the development of the theory dependent upon the growth of financial institutions? Was there a lag between the time when bankers had a knowledge of the actual operations and the time when such knowledge was embodied in the theories of the economists?

This article aims to present certain facts and arguments which may throw some light on the problems. These will be given in a roughly chronological form. In addition there will be presented selections from the writings of Lord Overstone which form a rather complete statement of the modern theory anticipating the statements of Goschen and Macleod often credited with being the first formulations of the completer theory.

An adequate theory of the correctives of the exchanges takes into account prices of goods and the movements of goods in foreign trade; interest and discount rates and shifts of long-time and short-time funds and investments, especially stock market securities and bankers' bills; the effect of exchange rates on commodity and capital movements; and in general, the reciprocal effects upon each other of gold movements and the movements of all of the other items that make up the balance of international payments. Particularly important at the present time are reparations and war debts. The events of the last year suggest that, in addition, we need to consider jumpy nerves, insidious propaganda against financial centers and the use of financial power for political ends. These have resulted in swift shifts of balances too quick for adjustment by ordinary capital or trade movements.

Angell in his *Theory of International Prices* traces the development of monetary theory and marvels that men who had the elements for the theory of the correctives of the exchanges did not formulate it. He offers no explanation for their failure to develop the theory. He

finds that Hume in his "Essay of the Balance of Trade" (1753) is the first to formulate clearly the theory of the correctives of the exchanges.¹ Hume uses two correctives; principally, the changes in prices and the readjustment of the balance of trade and, secondarily, the stimulus to exports of a high exchange rate. Hume denies any connection between the quantity of money and interest rates, so obviously, would not develop any theory of shifts of capital resulting from changes in interest rates due to specie movements. We may suggest that the failure to develop the theory earlier is an indication of the strong hold which the mercantile doctrines had on the men of the time. The idea of the desirability of specie imports was so strong that they probably could not conceive of such imports tending to check further imports. Then again, price movements at that time were more sluggish and information about changes not so readily available as at present, so adjustments would not be so obvious.

But why did the theory persist so long in its simple form, which neglects other items than goods in the balance of international payments and takes no account of the effect of interest rates? Much earlier than Hume men knew of other items than goods making up the balance of international payments and of the shifting of funds due to differences in the interest rates of different countries. Certainly financial dealings were developing and there was much discussion of monetary theory and events. Lipson in his *Economic History of England* indicates that as early as 1641 it was recognized that the carrying trade was an offset for imports.² Allowance was also made for interest on overseas investment, losses at sea and bankruptcies. He tells of Dutch money being attracted to London by the high rate of interest in 1721.³ An old exchange manual⁴ indicates that, as early as 1707, there was a considerable movement of capital between countries in response to varying interest rates:

They tell us in the first place, that Interest being very low in *Holland*, viz. 3 per Cent, the *Dutch* as well as other *Foreigners* send great Sums of Money, to be lent to the Government at 8 per cent. . . .

Sir James Steuart in his *Political Economy*, published in 1767, does not formulate a complete theory but clearly recognizes certain elements of such a theory. Besides the visible items in the balance of international payments, he lists the invisible items: foreign wars, foreign mines, tributes, subsidies, foreign borrowing or lending,⁵ and the expenses of

¹ *The Theory of International Prices*, p. 27.

² Vol. III, p. 95.

³ *Op. cit.*, vol. III, p. 213.

⁴ A. J. [Alexander Justice], *Of Money and Exchange* (London, 1707), p. 90.

⁵ The references are to the collected edition of his works (London, 1805), vol. II, p. 124.

natives living in foreign countries.⁶ He holds that surplus funds will go to that country whose interest rates are relatively high.⁷ He recognizes the effect of a low exchange rate in discouraging exports and encouraging imports and so bringing about a readjustment.⁸

Adam Smith makes no particular contribution to the theory of the correctives of the exchanges. He uses it in his criticism of mercantilism to show the futility of attempting to pile up treasure. A country needs a certain amount of specie to conduct its exchanges, and any excess will be sure to leave the country.⁹ He outlines the mechanism of bills of exchanges and shows that a high rate for foreign bills tends to check imports and increase exports.

The period of restriction in England was one of great discussion, much of which centered on the "Bullion Report of 1810." In the report itself, the analysis of the balance of international payments makes it include ocean freight received or paid, interest on foreign capital, contraband trade, and bills drawn for expenses of the army and the navy abroad.¹⁰ An explanation is given which runs from the balance of trade to the price of bills of exchange and then to an equalization of commercial exports and imports.¹¹ At this time the legal rate of interest could not go above 5 per cent. This obviously hampered any efforts at adjustment by means of wide changes in the rate of discount at the central bank.

S. Cock is particularly interested in finding out why the balance of international payments is against England.¹² In addition to the usual items, he lists the prohibition of the export of bark and cotton, suspension of trade with the United States, the restrictions due to the French control of North Germany, the lack of middlemen in exchange operations, the imperfect communication by letters, the loss on bills in regions where the French army was in control, and the slow returns for exports.

Thomas Smith put out a new edition of *An Essay on the Theory of Money and Exchange* to include an examination of the *Report of the Bullion Committee*. He suggests that the ordinary statements of the balance of international payments are faulty because they do not take account of losses on investments.¹³ He has in mind losses on colonial investments. The idea might well be applied to the United States in connection with the war loans. He thinks that the corrective comes

⁶ *Op. cit.*, vol. III, p. 216.

⁷ *Op. cit.*, vol. II, p. 125.

⁸ *Op. cit.*, vol. III, p. 451.

⁹ *Wealth of Nations* (Cannan ed.), pp. 322 ff.

¹⁰ Edition reprinted for J. Johnson & Co. (London, 1810), p. 29.

¹¹ *Ibid.*, p. 31.

¹² *Examination of the Report of the Bullion Committee* (London, 1810), pp. 61-63.

¹³ Second edition (London, 1811), pp. 137 ff.

through the curtailing of imports rather than the increase of exports.¹⁴ If the merchants tried to get goods to export to pay their debts, prices would rise.

The case of Ricardo is peculiar. He probably knew more about the practical working of the exchanges than any economist of his time. He states clearly in *The High Price of Bullion a Proof of the Depreciation of Bank Notes*, that as a short-time effect the increase of gold in banks may lower the rate of interest,¹⁵ and that the balance of trade may be favorable while the balance of payments is unfavorable. It is the latter only, he says, which operates on the exchanges.¹⁶ And yet when he comes to his *Principles*, though he gives a clear-cut statement of the idea of correctives and weaves it into a theory of the distribution of the precious metals, he uses only the balance of trade and the effects of specie flow on prices of commodities. He did this because he was interested in the long-time or normal account. Ricardo's great authority or the lack of knowledge of the later writers or their excessive efforts to simplify and normalize resulted in the persistence of the crude form of the theory.

Thomas Tooke offers some shrewd qualifications of the theory.¹⁷ If gold goes out of the country, the bank restricts the circulation and prices fall. However, exports do not increase at once, because it takes time for other countries to hear of the lower prices and the credit terms must be arranged. Imports do not fall at once because goods have been ordered and must be paid for.

A different explanation was given in a pamphlet by "A Liverpool Merchant," published in 1836.¹⁸ The Bank of England raises the rates of discount to check the demand for notes and so for gold. The contraction of the currency lowers prices of commodities and so increases exports. He quotes the testimony of N. M. Rothschild before the Secret Committee on the Bank Charter in 1832. Rothschild agrees that contracting the currency will tend to turn the exchanges in their favor, but the effect will only be temporary unless there is a change in the real trade. Obviously, he neglects or does not admit that the change in the discount rate may cause a shifting of funds instead of commodities.

We may learn something of the opinion of the bankers about the effect of interest rates on gold movements by a consideration of the development of central bank policy by the Bank of England. It is a commonplace today, that central banks aim to prevent the sequence,

¹⁴ *Ibid.*, p. 153.

¹⁵ Fourth edition (London, 1811), p. 54.

¹⁶ *Ibid.*, p. 69.

¹⁷ *Considerations on the State of the Currency* (London, 1826), pp. 102-4.

¹⁸ *Letters on the Bank of England*, pp. 5, 28-29.

gold export—higher interest—movement of securities or funds—import of gold, by raising the discount rate to attract funds and so check the threatened export of gold.

Hawtrey¹⁹ attributes the bank difficulties in England in 1825 and 1839 to the fact that the Bank of England had not discovered the technique of credit control. He says that the rate rise was used tentatively in 1838. In 1847 a greater use was made of the raising of the rate. The government evidently understood the method of credit control by this time for it required the bank to hold the rediscount rate at 8 per cent during the suspension of the fiduciary limit on bank notes.

Even before the *London Times* had a regular financial column its editors seem to have understood some of the more complicated results of gold movements. At a time when gold had gone out and consols had fallen in price, a *Times* editorial of August 30, 1825, gives the following explanation. The Bank of England is forced to contract its issues. This causes the other bankers to restrict their credits. The stock speculators are first to feel the restriction and they are forced to sell some of their holdings and so consols are depressed.

Thus it seems clear that the bankers outside the Bank of England and the financial writers were familiar with the idea of the effect of gold movements on discount rates and the movement of funds and securities long before the management of the Bank of England started to base their policy on such knowledge. The economists for a long time failed to incorporate the banking practice into their theories.

Lord Overstone in 1840 drew up and printed his "Thoughts on the Separation of the Department of the Bank of England."²⁰ It was reprinted in 1844, during the controversy over the Bank act. This writing contains a statement, earlier than those of Goschen or Macleod, of a fairly complete theory of the correctives of the exchanges.

A metallic circulation could never be drained out. Because as the drain went on, the decreased amount would produce a continually increasing value of the circulation; which by its effect upon the rate of interest, upon the state of credit, and upon prices would assuredly stop the drain at some stage of its progress.²¹

This statement is elaborated somewhat in the same connection.²²

Contraction of circulation acts—first upon the rate of interest—then upon the price of securities—then upon the market for shares, etc.—then upon the negotiation of foreign securities—at a later period upon the tendency to enter into speculation in commodities—and lastly upon prices generally.

¹⁹ *Currency and Credit*, p. 103.

²⁰ F. A. Walker, *Money*, pp. 454-455.

²¹ S. J. Loyd [Lord Overstone] *Tracts on Currency* (London, 1858), pp. 250-1.

²² *Ibid.*, p. 253.

Much later in a "Letter to the Times on the Bank Charter Act, etc." in January, 1857, is a further elaboration of the influence of the rate of interest.²³

If the rate of interest be high in Hamburg and New York and low in London, through how many varied forms will money be drawn from London to the aid of those places, securities transmitted for sale, bills sent over for discount, draughts drawn against credits, etc.

The last item would seem to be an early recognition of finance bills.

We may conclude that the simple theory of the correctives of the exchanges did not appear earlier because of the persistence of mercantilist ideas, the slow movement of prices, and lack of market information; that the theory was not elaborated earlier, not because financial institutions had not developed but because Ricardo was interested in long-time considerations and his authority perpetuated the simple form; and that economists did not use for a long time the knowledge which bankers and financial writers had of the actual working of the commercial and financial machinery.

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²³ *Ibid.*, p. 368.

PROVIDING HOMES FOR THE PEOPLE

Eradication of the major sources of waste in the housing industry would allow private enterprise to supply the potential demand for suitable homes of the middle economic-third of the population. Adequate organization of the industry would require the creation of an efficient home-credit system and the introduction of mass construction, vertical integration and efficient public guidance. A federal home loan system, fashioned in the manner of the federal farm loan system, would provide ample credit. Vertical integration and mass construction, that would provide socially integrated communities, would supply acceptable low-cost homes on a sound income-producing basis. Efficient public guidance would inform prospective home owners of what is best for their purposes in proportion to price and of operators who certify their products in accordance with the established standards. Good housing will cease to be a luxury product when the housing industry is thus organized.

The essential elements of the problem of providing homes for the people of this country are embodied in the following questions:

- (1) What constitutes the potential home market?
- (2) How can this market be tapped?

The answers to these questions are the results (1) of an analysis of present home ownership, the average cost of homes and the incomes of the masses of the population, and (2) of purposeful and cautious thought on the creation of federal home banks and the introduction of mass construction, vertical integration and public guidance into the home construction industry. The details of the study will be presented after summary answers have been given to the above questions.

First, then, what constitutes the potential home market?

At the present time, the construction of suitable, single-family houses on a commercial basis is almost exclusively a response to the demand provided by the top economic third of the population. New houses of the acceptable type are too expensive for two-thirds of the population. The reduction of the costs of financing, of construction, of land and of selling, with the incomes of the industrial workers remaining the same, would provide a substantial increase in the demand for suitable, single-family structures. There are within the population, however, a large percentage of families who under any practical reductions would not be able to purchase or even rent suitable homes. This percentage is estimated to be approximately one-third of the entire population, the bottom economic third. Housing this third suitably is permanently removed from the field of profit-making.¹ This leaves the middle economic third of the population, or approximately that, as a potential home market.

Now, how can this market be tapped?

The proposals advanced here are proposals to eradicate the various sources of waste in residential construction for the purpose of reducing

¹Limited-dividend and non-profit projects as well as public housing, and tax exemptions offer ways of caring for this third.

costs. In August, 1928, the Hoover Committee on the Elimination of Waste in Industry reported 53 per cent waste in the building industry. This means an average annual waste of more than \$2,500,000,000. The first of these proposals is one to provide adequate and low cost finance and adequate financing facilities. The second proposal is one to provide a means to carry into construction the typical method of our industrial age, the efficient technique of large-scale operations, a means not only to eliminate wasteful construction practices, but also to provide a home environment in which all the amenities of the old-fashioned home can be preserved. The third proposal is one to eliminate excessive profits and selling costs in real estate and construction transactions. These last-mentioned items are expertly estimated to be a considerable percentage of the total cost.

The proposals can be accomplished through the creation of federal home banks that will not only provide adequate first and second mortgage money at reasonable cost, but will also eliminate short-term mortgages and the consequent possibility of frequent reductions of the amount of the mortgage upon renewal and the demands for premiums and bonuses for renewals, through mass construction and the introduction of greater specialization, standardization and scientific management in construction, and through vertical integration and public guidance.

In the three preceding paragraphs, an attempt has been made to give a summary view of the solution of the problem. What follows will be in support of the solution.

Urban Home Ownership

To arrive at an acceptable approximation of the potential home market it is necessary to know what the present situation is with reference to home ownership. In this country the number of homes rented exceed the number owned. Yet the percentage of owned homes increased from 36.9 in 1890 to 40.9 per cent in 1920.² There was a consistent increase in the percentage of home ownership for each of these decades except that from 1890 to 1900. In this decade there was a decrease of only .7 per cent. The Census Bureau has not yet released the data that give the trend from 1920 to 1930. However, the Bureau of Labor Statistics has published data that give the trend in residential construction from 1920 to 1930. Because there is a general correlation between the construction of one-family dwellings and home ownership, from these data an indication can be gleaned of the trend of home ownership for the past decade. Based upon building permits issued in 257 identical cities, the trend in residential construction for the past decade, therefore, will be considered.

² U. S. Census, 1920, Monograph II, *Mortgages on Homes*, p. 39.

During the decade dwelling places for 3,616,387 families were provided in these cities. Of these families 44 per cent have been housed in one-family dwellings; 16.6 per cent in two-family dwellings, and 39.4 per cent in multi-family dwellings.³ In every year of the decade except 1924, 1929 and 1930, the multi-family dwelling has gained over the one-family dwelling. Two-family dwellings also lost ground during the ten years. Multi-family dwellings provided shelter for more families in 1928 than the other two types put together. Taking these cities by population groups, there was a consistent decrease from 1921 to 1928 in the percentage of one-family dwellings in every group of cities except the 82 cities ranging in population from 2,500 to 50,000. In the years 1929 and 1930, there was an increase in the percentage of one-family dwellings in all groups.⁴ When those who rent and those who are inadequately housed are deducted, the above percentages afford excellent support for the estimate that roughly only one-third of our population own acceptable homes.

This change since 1928 in the trend to multi-family housing can be ascribed to many causes; but the chief cause was the tightening of the real-estate money market which curtailed the speculative boom in the construction of multi-family dwellings. The open-market operations of the federal reserve banks made available plenty of cheap money that could not be used profitably by business concerns at the time. Consequently, the money was shifted to the real estate and securities markets. This fact, coupled with the housing shortage at the end of the war, was responsible for the speculative boom in construction that was witnessed in this country from 1921 to 1928. By 1926 the end of the shortage was in sight. By 1928, despite considerable overcrowding and slum dwelling on the part of the masses, the end of profitable construction had been reached. Also, while the shortage lasted, construction standards were lowered instead of raised. With the curtailing of the speculative wave, the cause of the shift back to single-family houses was due to the fact that the greater portion of the demand for construction was no longer provided by the profit seekers but by those who were going to own and occupy the dwellings.

The Average Cost of Homes and the Incomes of the Masses

The average cost per family in the 257 cities considered above from 1921 to 1930 was for one-family dwellings \$4,544.40, for two-family dwellings \$4,133.70, and for the multi-family dwellings \$4,126.00.⁵ These figures signify the general averages which are based upon build-

³ *Monthly Labor Review*, April, 1932, p. 172.

⁴ *Monthly Labor Review*, June, 1929, p. 154, and May, 1931, p. 133.

⁵ *Monthly Labor Review*, April, 1931, p. 170.

ing permits issued in these cities and do not include the cost of land, nor allowance for underestimates in the building permits, speculative profits and the cost of selling. Under normal circumstances, the value of the one-family dwellings is relatively four times the value of the land.⁶ This would make the average cost per family for one-family homes, for the ten years, even without the allowances just mentioned approximately \$5,500. With these allowances added in, the ultimate average cost would be approximately 25 per cent more. The Veterans' Welfare Board of California, as a result of their study of the average cost distribution in a large number of homes that sold at \$5,000, found that the items mentioned above amounted to 27 per cent of the selling cost. Mr. Bernard J. Newman, director of the Philadelphia Housing Association, found the average selling price to be approximately 30 per cent more than the building cost. In his reports for 1928 and 1929, Mr. Newman, however, notes a drop in the average selling price from \$8,465 in 1924 to \$6,550 in 1928 and \$6,339 in 1929. In a recent study by Dr. Martin A. Brumbaugh in Buffalo, New York, the average cost of properties with five-room houses was found to be \$5,600 and for nine-room houses \$7,000.

Now, what chance has the average worker to buy the average home, costing according to the above analysis, with allowances for the downward trend in prices, approximately \$6,000? It is commonly agreed by the best experts that under usual circumstances the amount that can be safely spent in the purchase of a home should not be more than two and one-half times the gross income of the prospective purchaser. What then is the average annual wage in industry? According to such data as are available⁷ the average annual earnings in industry are considerably less than \$1,300. About one-third of the total number of adult male wage-earners still receive less income each year than conservative research bureaus deem sufficient for the minimum health and decency standard.⁸ The above average, even if accurate, is for the purpose at hand meaningless because of the great discrepancies between the wages of skilled and unskilled workers and of men and women. Anne Rochester⁹ estimates, however, that there are "some 3,000,000 wage earners in the United States (1928) receiving from \$42 to \$60 a week or even up to \$75 for a full-time week," whereas Edith Elmer Wood¹⁰ estimates that one-third of American families have incomes not to exceed \$1,200, one-

⁶ McMichael, *Selling Real Estate*, p. 174.

⁷ King, *The National Income and Its Purchasing Power*, p. 144. See also National Industrial Conference Board, *Wages in the United States in 1928*, pp. 10 and 20. Anna Rochester, "Wages in United States," *Labor Age*, February, 1928.

⁸ Laidler, *How America Lives*, p. 7.

⁹ "Wages in United States," *op. cit.*

¹⁰ *Recent Trends in American Housing*, p. 52.

third of American families have incomes between \$1,200 and \$2,000, and one-third have annual incomes in excess of \$2,000.

The above analysis of home ownership and of the average cost of homes and the incomes of the masses is the basis of the belief advanced at the beginning of this treatment that new houses of the acceptable type are at present too expensive for two-thirds of the population. It is also the basis of the belief that, with the reduction of the present cost of financing, of land, of construction, and of selling, a potential home market will be provided by the middle economic third of the population. How reductions in these costs can be effected now will be pointed out.

Federal Home Banks

In the autumn of 1930, President Hoover made the following statement to the steering committee of his projected Conference on Home Building and Home Ownership:

The finance of home building, especially for second mortgages, is the most backward segment of our whole credit system. It is easier to borrow eighty-five per cent on an automobile and repay it on the installment plan than to buy a home on that basis—and generally the house requires a higher interest rate.

This statement points out one of the great barriers which at the present time helps to limit home ownership to virtually the upper economic third of the population. The present structure does not provide adequate, low-cost finance or adequate financing facilities. Most of our home financing institutions operate on conservative principles, lending from 40 to 60 per cent of appraised values for short terms. This last factor frequently makes for difficulty. Through the shrinkage of the value of the property and for other reasons, mortgagees often are unwilling to renew the mortgages for the same amount. Experience has proved that long-term mortgages, extending from 12 to 15 years for a much larger percentage of the appraised value and providing amortization of the entire principal, are more satisfactory to both the mortgagee and the mortgager.

The greatest financial barrier to sound home ownership is found in the second mortgage field. It is not unusual for purchasers to pay a bonus of 15 to 20 per cent for junior financing service. Fancy bonuses and premiums frequently are necessary to renew junior mortgages; this makes the burden considerably heavier. Then, too, the junior mortgagee does not have the benefit of the investigational work done for the first mortgagee; and usually there is a duplication of fees and charges. The main defect at present, however, is that there is not sufficient junior mortgage money available. This fact makes the cost in this field disproportionately high.

The present system is inadequate to provide for all for whom home ownership is desirable. In fact, the home owner or prospective owner finds himself in much the same position that the farmer was in prior to the enactment of the Federal Farm act in 1916.

The Federal Farm Loan act provided a dual system of farm mortgage banks—a system of twelve federal land banks, organized and established by the federal government and a system of joint stock land banks, unlimited in number and established strictly by private enterprise. A Federal Farm Board was created to supervise the whole system. The capital of the federal land banks was subscribed in the beginning by the federal government, but since has been purchased by borrowers. The capital of the joint stock banks was supplied by private enterprise. The loans of both systems are made with funds obtained through the sale of bonds, issued under the supervision of the Federal Farm Loan Board and sold to the public. These bonds are secured by farm mortgages. The federal land banks make loans through farm-loan associations organized by borrowing farmers for the purpose of handling the loans, whereas loans are made directly to farmers by joint stock banks.

The enactment of a Federal Home Loan act, fashioned in the manner of the Federal Farm Loan act, with a dual system, that would provide (1) adequate supervision and control, (2) the amortization plan of repayment of loans, which combines first and second liens, (3) the tax exemption feature, (4) the sale of bonds secured by home mortgages, (5) specific requirements concerning the ratio of loans to resources, (6) strict limits as to interest, and (7) the coöperative feature, should solve the home ownership credit problem for those for whom home ownership is at present sound. The first problem of prospective home owners is to obtain the necessary amount of credit on such terms as will make it possible for them to meet their obligations readily and not upon terms and risks comparable in most instances to terms and risks extended by the pawnbroker. The above suggestion at least provides a working basis for the development of a home credit system that will prove adequate.

Mass Construction

An adequate home credit system, however, solves only the first problem for the prospective home owner. Other major problems confronting him are exorbitant costs of construction, of land, and of selling. Suggestions for the reduction of the costs of construction will now be advanced.

The prospective home owner's next need after an adequate credit system is a revolution in home construction. With two-thirds of the population inadequately housed through our present home construction

system, it is obvious that the present system is an industrial lag. The system has been changed very little since houses were first built in this country. Clearly it has outlived its usefulness; new conditions are demanding a new system. Its maintenance means that the great majority of families must continue to live in overcrowded and dilapidated structures which are below present standards of sanitation, health and decency and which jeopardize family life. The present system fails to supply the needs both in cost and in quality. Hence, mass construction and vertical integration are proposed as a solution to the problem.

Mass or repetitive construction implies the manufacture of vast numbers of identical units by a single, well-equipped plant employing scientific management. It means that hundreds of houses are erected on the basis of a standard fundamental plan. It means that millions of standardized parts, such as windows, doors, framing, wall, floor, ceiling and roof panels, stairs, bathrooms, closets, dumbwaiters, laundry chutes, and other built-in features, are completely fabricated within a single plant and are ready for setting in place in the structures upon arrival at the site. It means not only the standardization of parts, but also of room and house dimensions and basic designs. This is essential to proper fitting in the assembling process. These dimensions and designs of course would comply with the requirements for proper space, light and air. It means power-driven machinery and equipment, much of it automatic, where hand-tools and helpers now are used. It means that through scientific management, lost motion, waste and damage would be wholly eliminated. It means not only the use of power-driven machinery, specialization and standardization, but also the use of by-products as far as this is possible. It means that central heating plants will be as necessary as sewers and other group-serving conveniences. Piping for these plants will be installed in common trenches with other pipes. It means that scientific method will be carried over into the field of construction management; this means not only the elimination of waste in the use of material, but also in the use of human and natural power through careful construction planning, line-staff or functional organization and scientific job study.

It means, also, efficiency and honesty of purpose in architecture and good, small and multi-family houses. New methods of factory fabrication will undoubtedly have their effects upon the appearances of the structures as well as upon their costs. Cellars, attics, backstairs, false appurtenances and some interior partitions perhaps will be eliminated. There will be a much greater use of metal, plastics, rubber, compositions of various kinds, cork and of welding than at present. Yet despite almost rigid standardization, there would be adequate variety. Just as nickel, paint, upholstery and other trimmings make the basically

standardized motor car diverse enough in outward aspects to please the most fastidious, so will interior and exterior decoration produce variety in housing. Whatever the quality of taste, it certainly should not be smothered under mass construction.

Mass construction can be employed in both single-family and multi-family structures, according to the need. In the multi-family structure, standard factory fabricated units would be employed in multiple quantities according to the number of families to be housed. For all structures there are definite essentials; there are also differences. The type of houses erected in any community would depend upon the composition of its population. To some individuals a house is nothing more than a habitation, a shelter or a place in which to sleep. To others it must be more: a home, a place in which to live, an object of affection with personality that symbolizes the persons that live in it. In any community there are two definite groups to consider—those who have or propose to have children and those who do not. For the first group the single-family house with its own ample lawn and adequate light and ventilation for every room has advantages. For the second group the multi-family house with its conveniences and economy has advantages. Yet there is some hope of making the multi-family house suitable for the first group and of removing such handicaps of the single-family house as tending the furnace and shovelling the snow, through community management analagous to that used in the multi-family house. Regardless of the need or desire, mass construction means a much lower construction cost.

Specialization reaches its greatest development under mass production; the use of expensive power-driven machinery is profitable only when its products are made in large quantities. The automobile and radio industries are good illustrations of the results of mass production. The very great reduction in cost through factory fabrication of automobiles and radios is convincing proof that mass construction will result in a very great reduction of the cost of homes.

Vertical Integration and Public Guidance

Financing, construction, land and profits are the four elements that make up the cost of a home. Suggestions for the reduction of the cost of financing and the cost of construction have been advanced. Suggestions for the reduction of the cost of land and of excessive profits need to be considered. Vertical integration and public guidance in the construction industry will make possible great reductions in these costs. Of course vertical integration and public guidance also will make possible certain reductions in the costs of financing and of construction; federal home banks and mass construction on the other hand also will make pos-

sible certain reductions in the costs of land and of selling and in profits. There will be some overlapping; these factors, therefore, must be employed concurrently to make the tapping of the potential market possible. However, a reduction in the costs of land and selling and in profits can be achieved primarily through vertical integration and public guidance.

Vertical integration in construction means the concentration in one concern of all or almost all the functions which previously have been carried out separately by different concerns in the different stages of the industry, from the acquisition of the raw material down to the marketing of the finished house. It means such economies in production as result from the elimination of middlemen, from a reduction of the cost of selling, from a better adapted product, from a better coördinated process, and from an assured supply of materials. It means savings from the purchases of large quantities, a more advantageous use of plant, machinery and equipment, a more adequate forecasting of demand and a more efficient dovetailing of the various stages of construction. It means also the control of raw material and the continuous use of expensive automatic machinery. In this industry the activities of middlemen add a large increment to the final cost. Vertical integration would eliminate much of this increment. This all means a reduced cost per unit of output.

What Ford has done in the automobile industry is what must be done in the housing industry. The trouble with the housing industry is that it has never been adequately organized. Adequate organization would mean, among other things, the purchase of land in large quantities; but in response to the true demand and at the right price, the control of the sources of materials, the production of materials, the factory fabrication from these materials of the various construction units, the assembling of these units into the finished products, and the sale of these houses by the same organization at a price that would make a market of the middle economic-third of our population. Such integration reduces the selling price not only by eliminating unnecessary steps or duplications in the marketing process but also by better coördination of the various stages.

Adequate organization would mean further the scrapping of our slums and blighted areas. There is nothing that compels the housing of certain groups on certain areas. New additions or subdivisions, by virtue of the vacancies they would cause in the older sections, might provide in many instances suitable housing for those now living in the slums. Through the exercise of the privilege of eminent domain, condemnation privileges now granted railways, public utilities, ferries, airports, and cemeteries would be granted responsible construction con-

cerns. This privilege would make possible the clearance of the deserted slum areas; this should mean in many instances the provision of low-cost land in desirable sections for new low-priced houses.

Adequate organization would mean, also, more efficient public guidance. Much of the waste in construction is caused by the ignorance of consumers and the lack of standardization, which prevent them from knowing the real quality of what they buy. This makes public guidance in construction necessary to protect the prospective home owner from fraud and misrepresentation and to inform him not only of what is best for his purpose, but also what is best in proportion to price. How little the average man knows about qualities, about measurements and their significance in terms of size, weight, serviceability, about the relative efficacy of this or that material for specific purposes is appalling. Price, too often his only guide, is frequently a very inadequate one.

That public guidance in the form of information is provided at present is true; but this guidance is inadequate. For instance, the Division of Simplified Practices of the Bureau of Standards has made general efforts to bring about standardization in grades and sizes. This division "serves as a centralizing agency in bringing together producers, distributors, and consumers whenever requested by any of these groups, for the purpose of assisting these interests in their mutual efforts to eliminate waste in production."¹¹ Also, the Division of Building and Housing of the Bureau of Standards issues pamphlets on housing, building, financing, and repairs.¹² Also, it issues monthly reports of prices of major building materials in some 50 cities; conducts surveys of trends in the small-house construction field; has issued a model city planning and a model zoning enabling act; maintains statistics on zoning and city planning; and has issued model building codes. Through other divisions the Bureau tests building material of various types and publishes the results in its various bulletins. This guidance is good as far as it goes, but it does not go far enough.

From the work of the Federal Specifications Board, also of the Bureau, a rough indication is provided of what might be done for prospective home owners; and this action in behalf of prospective home owners undoubtedly would be in accord with the policy of the Department of Commerce to put the government behind business, but not in business. This Board provides specifications to be used in the purchase of supplies by the federal, by state, and by city governments. In its insistence that all government purchases meet certain definite standards, it has caused the supply of goods needed at considerably less than the prevailing market price. At a cost of approximately \$2,000,000 a year,

¹¹ U. S. Department of Commerce, Annual Report of the Secretary, 1924, p. 18.

¹² A complete list of these pamphlets may be found in Price List 72, *Government Publications of Interest to Suburbanites and Home-Builders*.

it is estimated that the Bureau saves the government more than \$100,000,000 every year. The Bureau can furnish a list of hundreds of manufacturers who will certify their products to purchasers in accordance with the government specifications. Also, the Board has supplemented the certification procedure with the fostering of a labeling system. The possibilities involved here are immense. Through it the consumer now is able to judge the fitness of a few products; certainly as a means of protecting the loans of the Federal Home Banks, as well as the purchaser, the plan should be used in the field of home construction.

Further, the Committee on Home Information Services and Centers during the recent President's Conference reported that:

In no community studied can it be said that the requirements are met of a well-coordinated, complete, reliable, and practical information service on these subjects. . . .

The sources of home information are in most communities poorly coordinated and there is little attempt in general for organizations concerned to work together.

Publicity and educational programs are on the whole entirely inadequate. They do not succeed in reaching people seeking information.

This lack of accurate, complete, and unbiased information and education is responsible, at least in part, for poor house planning and design, since the typical family undertaking to build or buy a home lacks a knowledge of the rudiments of these subjects. It is responsible also for poor construction and rapid depreciation of property values, which, in turn tend to discourage home ownership.¹⁸

The committee also expressed the belief that a central clearing house for inquiries on city planning, home building, and home-making should be established and that home financing agencies should be urged to realize their responsibility in stamping out shoddy construction. In line with this belief it is here suggested that the Division of Building and Housing of the Bureau of Standards could be made an official national governmental agency not only to perform its present functions but also to serve as a central clearing house and, in conjunction with the Federal Home Banks, if and when they are created, to provide the leadership in all public guidance.

Vertical integration, which would necessitate the buying of raw land in large quantities and the improving of it in large quantities, would reduce the original cost of land. Adequate public guidance, which would require proper city planning and zoning, would prevent excessive unearned increments in the land. Adequate integration and guidance as pointed out above would reduce the cost of selling and prevent excessive profits.

Roughly estimated, then, the middle economic third of our popula-

¹⁸ Report of the Committee on Home Information Services and Centers, President's Conference on Home Building and Home Ownership, p. 32.

tion provides a potential home market. This market can be tapped by the eradication of the various sources of waste in residential construction. These sources of waste can be largely eradicated through the creation of federal home banks and through the introduction of mass construction, vertical integration and adequate public guidance into the construction industry. These steps would not only help to organize the industry adequately but also would help to protect our citizens and to strengthen the institution of private property.

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THE INTERNATIONAL LABOR ORGANIZATION OF THE LEAGUE OF NATIONS: ITS SIGNIFICANCE TO THE UNITED STATES¹

The International Labor Organization of the League of Nations is the only world-wide international economic institution which has functioned actively and continuously during the whole of the post-war period. In estimating the economic significance of this organization to the United States it is to be recognized that there are definite reasons why—at least from the theoretical point of view—the regulation of industry and labor brought about by international action will have increasing importance to American workers and employers. The significance of the work of this organization is to be found not only in those results which are direct and immediate but more so in the consequences that are indirect and of the future. Of the latter the most important is probably that the International Labor Organization is a step in the evolution of an “international economic community,” the need for which the failure of the several post-war international economic conferences fully demonstrates. The International Labor Organization possesses features to make international collaboration possible and effective. In this respect it is an achievement and a promise.

I

The International Labor Organization of the League of Nations furnishes the economist with an illustration of an institution unique in its structure and unsurpassed in its scope of membership. It is unique in providing a world-wide organization in which the workers, the employers, and the public are represented in deliberating upon questions of mutual concern; it is unsurpassed in bringing within its membership 56 nations.² Such an institution necessarily raises interesting and important questions of theory and practice. With the ever increasing number of international organizations not only in the field of labor but in all phases of economic activity, with the claims and counter-claims concerning “internationalism” and international organization, it is important that an evaluation be made of the International Labor Organization which stands

¹For the opportunity to gather the material on which this article is based I am indebted to the Bureau of International Research of Harvard University.

²The independent countries which, at the present time, are not members are Afghanistan, Costa Rica, Ecuador, Hejaz, Russia, Turkey and the United States. Members of the League are *ipso facto* members of the International Labor Organization (Art. 387, Part XIII, Treaty of Versailles). The question as to whether, *a contrario*, members of the Organization must also be members of the League has always been an uncertain issue and never definitely answered.

The reader will recall that the organization of the International Labor Office runs directly parallel with the organization of the League of Nations (of which the former is a part—although it possesses a self-governing structure created by Part XIII of the Treaty of Versailles). The three constituent organs of the International Labor Organization are: (1) the International Labor Conference, the ultimate authority which meets annually and to which *each* member state (now 56 in number) sends 4 members—2 representing the government, one the employers, and one the workers; (2) the governing body composed of 24 members—12 of which are representatives of the governments, and 6 each from workers and employers respectively; and (3) the International Labor Office, with its staff of more than 400 and over 30 nationalities, is the permanent organization that links together the meetings of the annual sessions of the Conference.

alone in the whole field of international economic institutions in its active, continuous, and regular functioning during the entire post-war period.

It is the purpose of this paper to examine the significance of the International Labor Organization.³ Historical, legalistic, and procedural aspects of the subject will not be considered here.⁴ These phases of the subject have been given attention to nearly complete exclusion of the economic questions presented by the activities of the ILO. The discussion in this country of our relation to this organization has been concerned almost entirely with the legalistic problem of constitutionality of labor legislation by our federal form of government and the power of our government to enter into multilateral labor agreements. That field has been dealt with elsewhere,⁵ and we shall therefore confine our consideration to the importance, from an economic point of view, of the work of the ILO and more especially the economic significance of this work to the United States.⁶

II

Certain fundamental economic facts are highly important to an international organization which undertakes to promote legislation and

³ As a matter of convenience the abbreviation ILO will generally be used in place of "International Labor Organization."

⁴ Concerning these aspects of the ILO there is a large body of literature. For secondary sources the general reader will find very useful, e.g., E. B. Behrns, *The International Labour Office* (London, 1924); H. J. W. Hetherington, *International Labour Legislation* (London, 1920); G. A. Johnston, *International Social Progress* (London, 1924); D. H. Miller, *International Relations of Labor* (New York, 1921); National Industrial Conference Board, *The International Labor Organization of the League of Nations* (New York, 1922); Paul Périgord, *The International Labor Organization, A Study of Labor and Capital in Coöperation* (New York, 1926); and the publication of the ILO itself, *Ten Years of International Organisation* (Geneva, 1931).

For the phase of the subject with which this paper is concerned (i.e., the economic) the writer has found the numbers of the annual *Report of the Director, International Labour Conference* (of which the 1921 is the first) a veritable mine of information, giving an exceedingly complete and lucid discussion of every phase of the ILO. It would probably be difficult to duplicate in official documents, material which is written in a more clear, interesting manner and with the judiciousness one finds here. Another original source which stands alone in the scope and acuteness of its treatment of international developments in industrial-labor questions, and which the writer has found exceedingly helpful as it is a weekly publication, is the Swedish journal *Fackföreningsrörelsen*.

⁵ Cf. e.g., W. G. Rice, Jr., "The Constitutionality of Labour Legislation in the United States of America: I," *International Labour Review*, XIV (No. 5, Nov. 1926), 619-639; and *ibid.* (Part II), XIV (No. 6, Dec. 1926), 801 ff. Also J. P. Chamberlain, "The United States and International Labor Office," *American Labor Legislation Review*, XCII (No. 2, June, 1927), 171-180.

⁶ The difficulty raised by the federal form of government, not incurred by the unitary governments, was recognized when Part XIII of the Treaty of Versailles was drawn up. Apropos of this, Article 405 reads: "In the case of a federal State, the power of which to enter into conventions on labour matters is subject to limitations, it shall be in the discretion of that Government to treat a draft convention to which such limitations apply as a recommendation only. . . ." This statement was

regulation of industrial life based upon the principle that "labor is not a commodity."⁷ First, should be considered the inequality in the distribution of natural resources, not only with respect to the differences in the quantity and quality of those resources within each of the sovereign states but also the per capita distribution throughout the world. That is to say, the land-man ratio differs widely as between not only the Orient and the Occident but also as between southern and northern Europe. Secondly, it is equally obvious that the proportion of capital to resources and population varies greatly between the industrial and agricultural countries of Europe, to say nothing of the differences which exist over a field as large as that of 56 nations. Thirdly, management, "entrepreneurship," "Unternehmersgeist," differs greatly from one national territory to another. And, fourthly, the rates at which the progress of invention and the change in the general state of the arts take place are not uniform from one territory to another.

In light of these fundamental facts the accepted economic reasoning would hold that wages and conditions of workers in any region would be very largely determined by the conditions referred to above, or more briefly stated, the natural resources of that region together with the ingenuity of labor and management to exploit those resources. Under conditions of free competition, capital and labor, through the profit-seeking motive of the employer, would be adjusted to those industries and regions where return was greater rather than less and through that adjustment, given time, the largest productive return would result. To this one need add only the Marshallian principle of substitution to arrive quickly at the conclusion that "everything tends to find its own level."⁸ But just as this more rigid, long-time, static reasoning of the economists has given way with respect to the possibilities, and the need, of organization of labor in the national economic field,⁹ so also the question suggests itself whether a further "recession" of the policy of laissez faire will lead to a "middle ground" with regard to the possibilities and need of some sort of collaboration, and regulation, in the international

incorporated into Part XIII especially because of the difficulty which Gompers and the American delegates to the Peace Conference stressed, namely, that multilateral labor agreements did not fall within the jurisdiction of our federal government. It was felt at the time that this difficulty was met by Article 405.

⁷ Article 427, Part XIII, Treaty of Versailles. This principle is the first of the nine enumerated in Article 427 and accepted as "well fitted to guide the policy" of the I.L.O. The others are the right of association "for all lawful purposes, prohibition of child labor, the right to a decent living wage, equal pay for equal work, a weekly rest day, the 8-hour day, equality of rights for foreign workers, and labor inspection in which women shall take part.

⁸ Marshall, *Principles of Economics*, 8th ed., pp. 404-405.

⁹ As Professor Taussig puts it, "a middle ground would now be taken by most economists." (See his *Principles of Economics*, v. ii, 3rd ed., p. 299.)

economic field such as the International Labor Organization of the League of Nations is carrying on.

There are definite reasons for believing that the sort of regulation of industry and labor which is brought about by international action through the work of the ILO and which would not be brought about nationally—that is, by one nation at a time¹⁰—will be of growing importance to American workers and employers. In the first place, to an increasing degree economic and political borders do not coincide. "Economic internationalization" is a natural development with the increasing importance of export industries, the establishment of branch plants abroad, and the sale of those staple, standardized, industrial products (for which we cannot claim a particular hold on markets on the grounds that American products are "more desirable" or of "higher quality") in international markets in *direct* competition with similar goods produced abroad. As the best machinery, technique, and methods are quickly adopted especially in the export industries by producers throughout the world, and with increasing internationalization of capital, the labor differential becomes of greater significance in the unit cost of the finished product.¹¹ This has particular application to those countries whose industrialization has taken place in recent years and which are, therefore, equipped with the most improved machinery and methods.¹² To the

¹⁰ In my opinion the importance of this point, *especially with regard to European nations*, can hardly be overstated. Apropos of this, the statement of Lord Burnham is in point. He said, "Men, women, and children are kept at work throughout the world in conditions often lower than they ought to be in each country through a fear of international competition. The way to remove the grounds of that fear is to get industrial conditions levelled up all over the world by international agreements to which governments, workers, and employers are equally committed, and which they have drafted in common council. . . . Presiding over two successive annual sessions of the International Labour Conference (of the ILO), I became convinced that this new contribution to international government is rapidly becoming what is certainly the most powerful lever yet designed for raising the level of industrial civilization" (quoted in E. M. Oliver, *The World's Industrial Parliament*). Cf., also, B. H. Sumner, "Labor as an International Problem," *Economic Journal*, XXXI, no. 124, Dec., 1921, 533-536.

The European coal industry furnishes a striking instance of an industry in which regulation, looking toward improvement of working conditions, by each country working independently is held to be impossible. Any support, whatsoever, for a reduction in the miner's working-day would only be forthcoming on the condition of an equal and simultaneous reduction in the part of all the European coal producing countries. This was emphatically brought out in the committee meetings (which the writer was permitted to attend although they were not open to the public) and also in the assembly meetings of the International Labor Conference, in Geneva, in 1931. (Cf. *Minutes of the International Labour Conference*, 14th Session, 18th Sitting, Geneva, June 26, 1931, p. 371.)

¹¹ Cf. Leifur Magnusson, "International Competition in Labor Conditions and the Maintenance of Labor Standards," *American Labor Legislation Review*, XVII (no. 2, June, 1927), 148-161.

¹² The importance of the difference in labor cost is clearly seen in the Indian and Japanese cotton textile industry. Both countries equipped with essentially the same

degree that labor costs are an important factor in the total expenses, and to the degree that machine production is increasingly automatic and can employ "cheap labor," it follows that the advanced industrial country will meet an increasing degree of competition in international markets.¹³ From this point of view the American employers and laborers should obviously be directly interested in labor and industrial regulation upon an international scale to whatever degree such regulation is possible. This is, clearly, all the more true since the adjustment called for by such regulation would fall almost entirely upon the governments and producers of the other countries. Multilateral agreements drawn up by the member states of the ILO must of necessity contain provisions attainable to most, if not all, of the less industrialized countries; for setting these conventions too high would result in unemployment.¹⁴ These conventions would, therefore, call for conditions already existing to a large, if not complete, degree in the United States.

From a second point of view American employers and laborers are directly affected by the "leveling-up" work of an international economic organization such as the ILO. If it is assumed to be true that a higher content or standard of living for the workers of other countries, whose content of living is now unfavorable, will mean increased efficiency of such labor, increased wages would also tend to follow. Such increased wages and purchasing power would redound to the advantage of Ameri-

capital, supervised by foreign management of approximately equal ability, and both countries selling their finished product in the same Oriental markets, competition is restricted to the labor element in the expenses of production. With the reduction of hours in the working day, as a result of the International Labor Convention of 1919, India rapidly found her market in Bombay being absorbed by Japanese producers who had not reduced hours. (See, ILO, "The Seventh Session of the International Labour Conference," *International Labour Review*, XII (no. 2, Aug., 1925), 145-185.)

¹³ Americans are prone to maintain that "cheap" labor is that with a low marginal productivity and therefore foreign industries employing low-paid labor have no lower money, wage cost per unit of output than our American employers. From my first-hand observation of industrial plants in several European countries (and also a large number of factories of all kinds in this country) it is my opinion that the view so generally held regarding the high productivity of American laborers relative to foreign workers may frequently be quite naïve. One finds today especially in such newly industrialized countries as Czechoslovakia and Sweden industrial plants equipped with the latest and most perfected American and German machinery, supervised by exceptionally well-schooled foremen, and completely "rationalized" (and European industry certainly has taken to American "Taylorism"!) in organization of plant and routing of work.

¹⁴ Cf. Herbert Feis, "International Labour Legislation in the Light of Economic Theory," *International Labour Review*, XV (no. 4, April, 1927), 502-503; Renest Mahaim, "Les Principes de la Législation Internationale du Travail," *Académie Royale de Belgique*, XII (5th series, 1926), 221; and also the excellent book by Karl Pribram (an official of the ILO), *Die Probleme der Internationalen Sozialpolitik* (Leipzig, 1927), p. 196 and chap. 5, "Die Grenzen und die Aussichten der internationalen Sozialpolitik."

can industry in increased markets among the millions of foreign laborers who are now absolutely deprived of those numerous American products regarded more or less as necessities by our own laborers.

And in the third place, the American employers' and laborers' concern in European industrial conditions has been greatly increased by the profound change, as a consequence of the war, in the international financial status of the United States. We have reversed our position from that of a debtor nation to that of the creditor nation to the most of Europe. If these debts are to be paid to the United States, and hence are to bring the very great increase in imports of industrial goods necessitated by those payments, it is desirable from the standpoint of American employers and laborers that efforts should be made to maintain the level of competition in European industry on a somewhat higher plane than that to which it might otherwise be reduced, and thereby to diminish the danger of an impairment of the standards of employment in those industries which are producing similar products in this country.

It is reasonable to assert, therefore, that from the theoretical point of view the work of the ILO in raising the competitive level of industry and labor is increasingly significant to American workers and employers. The measure of this significance is, of course, not only the results which have now been obtained but also those consequences which it seems quite definitely will materialize in the future—as difficult as it may be to designate these accurately—from the activities which have been and are now being pursued by the ILO. What then can be said to be the accomplishments of this organization?

III

To determine the results due to the functioning of a social, economic organization which is a part of a highly interrelated structure is naturally very difficult. This is especially true of an organization such as the International Labor Organization of the League of Nations with its world-wide membership of 56 nations in all stages of industrial development. Any attempt to simplify the problem of evaluating the work of this organization would be absurd. Consequences which are direct and immediate cannot be separated from those results that are indirect and of the future. To look, as is so frequently done, to the draft conventions and recommendations adopted at the sessions of the International Labor Conference and to the ratifications of those conventions—as well as to action taken in accord with the recommendations of the Conference—by the parliaments of the states which are members of the ILO, as the criteria of the results of the ILO would lead one to conclusions which are superficial and inaccurate. Marshall's analysis of the relations between demand and supply and price by using a fourfold division of time is suggestive in the analysis of the results of the ILO. We shall, then, consider

first, the results which have been immediate or direct; secondly, those which, while not direct, have nevertheless been quite immediate; and thirdly, those results which may be said to be the long-run consequences.

As to the immediate or direct results, the ILO has produced 31 draft conventions and 38 recommendations¹⁵ at the 15 annual sessions of its Conference which have taken place in the years 1919 through 1931.¹⁶ The draft conventions have dealt with what may be termed "conditions of employment," namely, hours of work, placement of workers, treatment of seamen and agricultural workers, industrial diseases, compulsory labor, and related questions. By January 31, 1932, a total of 452 ratifications had been obtained from the governments of the 56 member states of the ILO on the 31 draft conventions.¹⁷

Any attempt to estimate the significance of these draft conventions and their ratifications on the economic life of the member states, to say nothing of the significance which these measures have for a non-member such as the United States, is extremely complex.¹⁸ An examination of such evidence as is available on this point quite definitely confirms the view held by the ILO that conventions have both "stimulated progress and stiffened resistance to regression." In particular the research work in preparation of these measures¹⁹ has brought together a tremendous amount of scientific data, defined industrial-labor problems, thrown penetrating light on all aspects of the issues, and for the first time in history provided for a balance of conflicting interest in the regular discussion of questions of mutual concern. What direct significance has this to the United States? While not commensurable, the significance is that the

¹⁵Space permits neither a statement nor a discussion of the main principles of these conventions and recommendations. The texts are given in the publication of the ILO, *Draft Conventions and Recommendations Adopted by the International Labour Conference, 1919-1930* (Geneva, 1930).

¹⁶The sixteenth session (1932) has just taken place. No report at this date is available in this country on the results of the conference.

¹⁷No direct measure of the results from recommendations can be made. They differ from draft conventions in that the recommendations indicate the *policy* which member states are asked to follow in formulating their national legislation, whereas the convention must be ratified (or rejected) as it stands. With recommendations, however, as well as draft conventions the requirement of Article 405, Part XIII, of the Treaty of Peace is the same in one respect, namely, that within 18 months both types of measures must be brought before the national parliaments of the ILO member states for enactment of legislation or other action.

Ratifications of the ILO conventions by the leading industrial countries have been (up to March 15, 1931); Germany, 18; France, 16; Great Britain, 17; Italy, 16; Japan, 10. The *rate* at which ratifications have occurred has been: 50 in 1925; 48 in 1926; 35 in 1927; 34 in 1928; 79 in 1929; 44 in 1930; and 38 in 1931 (*Cf. Report of the Director, International Labour Conference, 1931, Part II, "Annual Review"*).

¹⁸*Cf. ILO, The International Labour Organization (Geneva, 1931)*, pp. 289-310, where a suggestive, although brief, analysis is attempted. See also the statement of William Graham, president of the British Board of Trade, *Report of the Director, International Labour Conference (Geneva, 1931)*, Part I, p. 4.

¹⁹*Cf. pp. 456-457 below.*

measures of the ILO have been productive of keeping the foreign level of industrial competition somewhat higher and also in assisting to bring about such legislation that will come only on the basis of similar and simultaneous action by other nations, as has been pointed out in the preceding section of this paper. And such results cannot be meaningless to this country.

To turn now, in the second place, to those results of the work of the ILO which, while not direct, have nevertheless been quite immediate. These have been threefold: first, the less advanced industrialized nations have been furnished with standards of industrial regulation and an almost complete code of industrial and labor law; secondly, industrial unrest has been reduced; and thirdly, organization of employers and employees has been hastened.

Concerning the first of these, a striking fact may be noted when one turns to the ratifications of the ILO conventions by, for example, Luxembourg which has ratified every one of the first 25 (of a total of 31) conventions! Similarly the following figures of ratifications are certainly indicative of the stimulation which the smaller countries have received by means of international action provided through the ILO: Bulgaria, 25; Estonia, 18; Greece, 13; Hungary, 14; Irish Free State, 21; Latvia, 17; Poland, 14; Roumania, 16; Yugoslavia, 19; and Czechoslovakia, 11.²⁰ These countries are agricultural, of course, and industrial-labor legislation is as yet of little importance and, in fact, of quite nominal significance. But the important fact is that such legislation has resulted in an industrial equilibrium having been "created," in advance of industrialization, on a higher plane than that which would result competitively. So far as this legislation is enforced in these countries industrialization will not occur until effectiveness of capital and management rather than "cheap," sweated labor makes for competitive strength. The significance of this to the United States—as well as for England—can be found in the statement made by Ramsay MacDonald in the House of Commons, February 16, 1925:

Will the Government, instead of trying to put up a wall against sweated goods that experience shows can never be fully effective, help us to eliminate sweated goods altogether, so that they will not be available either for home or for foreign consumption? Up till now they have done nothing. Our other proposals are found in the International Labour Office at Geneva.²¹

Little needs to be said regarding the other two consequences of the ILO mentioned above as part of the results which, while not direct, were

²⁰ ILO, *Annual Review*, *op. cit.*

²¹ *Parliamentary Debates, House of Commons*, 2/16/1925 (quoted in *Report of the Director, International Labour Conference (Geneva, 1931)*, p. 4). Cf., also, statement of Stanley Baldwin, *Parliamentary Debates, House of Commons*, 2/2/1926.

nevertheless quite immediate. These were that industrial unrest has been reduced and organization has been furthered.²² To this statement it might well be objected that industrial-labor conditions during the last two years would certainly deny such a contention. It is, of course, true that industrial unrest has increased and labor organization has weakened during this period. But it is equally true that during the first five years (and no doubt for the first ten years, that is, from 1919 to 1929) the ILO was positively instrumental in reducing industrial unrest and furthering organization especially of laborers and to a considerable extent also that of employers. In this connection one might only observe that while the ILO, as constituted, did not meet labor's demand for an international parliament whose acts would have the validity and force of national laws,²³ nevertheless the whole support of the largest labor organization in the world, the International Federation of Trade Unions (IFTU), was given to the ILO from its inception. The strength of this support is to be found not only in its union of more than 20 national trade-union centers, having a total of approximately 14,000,000 members, but rather in the leadership found within the IFTU. This leadership has thrown its support behind the ILO; and men who have led the laborers in the whole of the post-war period (and are still their leaders) are now to be found in the various offices and activities of the ILO. Space does not permit here an analysis of the development of the IFTU and the significance of its relation with the ILO; but that industrial unrest, especially in Europe, would have been tremendously increased had the IFTU thrown its lot with the Red International of Labor Unions (RILU), instead of with the ILO, is obvious. How close the IFTU came at times, from 1920 on, to swinging to the side of the RILU with its program of "world revolution" and "dictatorship of the proletariat" can be seen clearly by a systematic analysis of the official publications of the IFTU.²⁴

²² Cf. Sir C. E. Low, "India and the Washington Conference," *International Labour Review*, V (no. 1, Jan., 1922), 3-11; also, G. E. diPalma Castiglione, "Asia and the ILO," *Asiatic Review*, XXI (no. 67, July, 1925), 385-397, and see footnote 28, below.

²³ This in fact was demanded by the workers' representatives, and also by certain government representatives, during the peace negotiations. While not going so far, the British delegates to the peace commission appointed to prepare the labor part of the treaty had the same general idea, for they desired that the member states should be required to communicate to the director of the "Labor Organization" their formal ratifications of the conventions drawn up by the "Labor Organization" except when the states' legislatures should formally disapprove. (*Report of the Director, International Labour Conference (Geneva, 1921)*, pp. 45-46.)

²⁴ Cf. *The International Trade Union Movement* (official organ of the IFTU), a bi-monthly publication beginning Jan., 1921. This is a very useful source of information giving the view of organized labor as expressed by such labor spokesmen as Sassenbach, Fimmen, Oudegeest, Jouhaux, Mertens, and others.

Now, in the third place, we have pointed out above that some results of the work of the ILO will manifest themselves only over the longer-run period. The twelve years of work of this organization point to two such results—namely, that the continued functioning of the ILO will broaden its scope; and secondly, that the ILO has provided experimentation in the analysis of labor problems which clearly points to a method of attacking, if not solving, economic problems which are essentially of an international character.

Concerning the first of these two long-run results, it seems certain that the continued functioning of the ILO will, over a long-time period, create an international economic organization which will not restrict its work to that of "labor conditions" and leave the so-called "economic" and "social" problems²⁵—as it is now the practice of the ILO—for the Economic Section of the League of Nations. This differentiation seems artificial and quite untenable. Its continuance will mean, precisely, that the ILO cannot, or at least can only inadequately, cope with the fundamental problems of production, namely, increased output and real wages, and decreased unemployment. Yet to fail to do so will greatly restrict the importance of the ILO if not destroy it completely. Any reply to the effect that the field of production is the field of the Economic Section of the League of Nations is simply beside the point.²⁶

And herein the significance of the ILO to the United States can probably not be overstated. The Labor Office of the ILO with more than 30 nationalities represented upon its permanent staff of over 400, has no limitation as to language, technical training, or even as to financial support. It has ready access to the services of specialists throughout the world and to increasing unsolicited financial assistance. To these unequalled facilities for economic research must be added the advantage possessed by the Labor Office in drawing not only upon the official sources of more than 50 governments which are members of the ILO but also upon the information in the hands of numerous national and international associations of employers, workers, and others interested in social and economic problems. It is needless to say that economic problems are to a greater degree becoming international problems. The importance to us

²⁵ To define the real field and program of the ILO, in light of the broadness of the nine principles (see n. 7 above) in accord with which it is intended to function, is difficult. Then too the implications in Part XIII of the Treaty of Versailles, which give the ILO almost unlimited scope (cf. Art. 427, Part XIII), have led to much discussion whether or no the ILO could engage in activities concerned with "economic" or "social" problems rather than merely questions of "labor conditions." (See, e.g., *Report of the Director, International Labour Conference (Geneva, 1921)*, pp. 250-255; *ibid.*, 1931, Part 1, p. 42; and also Sir Lynden Macassey, "Labour and the League of Nations," *Edinburgh Review*, vol. 234, no. 478, Oct., 1921, 244-264.)

²⁶ Which, it seems, is recognized by the Director of the ILO. Cf. ILO, *International Labour Organization (Geneva, 1931)*, p. 185.

of the tremendous research facilities of the ILO can hardly be over-emphasized.²⁷

It has been pointed out that the second long-time result of the ILO will be that of developing a method of attacking economic problems which are essentially of an international character. That method is the combination of research, of the international technical conferences,²⁸ and of the general conference. Not any of these taken independently is new; but with the ILO they have for the first time been unified in their application, regularized in their use, and universalized in their supervision. With the ILO has originated the combining of constant world-wide research with that of regular conferences, first of a technical character and secondly of a general international sort. Furthermore, to the important feature of *regularity* of these conferences has also been added the feature of *balancing* the interest of the employers, the workers, and the public in the solution of problems in which these groups have a mutual concern. And finally to this has been added that which we have referred to above as universalized supervision—a supervision which is achieved by means of focusing the examination of 56 member states on the annual reports submitted by those governments which have ratified conventions as to what action has been taken to make such conventions effective.

²⁷ The remarkable prominence given in the reports of the director to the collaboration of individuals, organizations and public agencies in the United States with the ILO in its extensive research shows a rapidly growing valuation in the United States of this work. Information and data have been furnished by the ILO to our federal government on various questions, to the Bureau of Economic Research and to other organizations, as well as to our universities. Three particular projects carried on for, and financed by, Americans are of special interest. These are: (1) an international study of real wages for the Ford Motor Company; (2) the continuous study of developments in industrial relations by Industrial Counselors, Inc. (financed by Mr. John D. Rockefeller, Jr.), which has assigned an American expert for full-time service with the ILO; and (3) the International Management Institute created in 1927 (financed by Mr. Filene and Mr. Dennison) to carry on—also continuously—international studies in scientific management and “rationalization.”

²⁸ The maritime, native labor, and coal problems, considered by the ILO (and which led to the adoption of conventions) may be cited. Of the 56 member states of the ILO, only 20 are maritime countries; only 9 are countries possessing colonies and, therefore, concerned with native labor; and also only 9 are coal producing countries. Before submitting the coal convention, for example, to the International Labor Conference a special technical conference was held composed of coal mine owners, miners, and government officials of these 9 countries at which standardization (uniformity) of terms and data was decided upon, a complete examination of technological differences as between the different production areas was made, and a full discussion of employers, workers, and government officials as to what shortening of the working day was possible and acceptable was agreed to. The economy of this method of harmonizing conflicting interests, even if applicable and successful only to a small degree, is obvious as compared to the destructive method of agitation and industrial strife in each of the nine countries! (Cf. H. B. Butler, deputy director of the ILO, *Problems of Peace* (Geneva, 1930), pp. 29-43; and also, *Report of the Director, International Labour Conference* (Geneva, 1930), p. 24.)

IV

What then, are the conclusions which may be drawn with respect to the economic importance of the International Labor Organization of the League of Nations and its significance to the United States?

The International Labor Organization, in my judgment, presents an important experiment in the field of international economic relations. Due to its world-wide membership, its unique balancing of conflicting economic interests, its peculiar breadth of program, and its possibility of adaptation, it deserves careful attention. And in that it is an *experiment* of this character lies its real significance. The importance of the work of the ILO is to be found not in the work it has done but rather in laying the foundation for, and in the shaping of, a method of international economic collaboration which the experience of recent years has proved to be increasingly necessary. Needless to say, anything which assists in such collaboration and contributes even to a small degree to economic stability and progress in other countries is highly important to the United States although the effects, in the first instance, are indirect rather than direct.

Thus, it seems to me, the view is well taken that the ILO is one of the most important steps in the general evolution of an "international economic community," whose organization will be less directly subordinated to the policy of the governments and more in harmony with the needs created by the ever-growing economic, social, and political interdependence between states and individuals.²⁹ It is clear that the need of some sort of organized "international economic community" has been fully demonstrated in the post-war period. The Brussels Conference, the Genoa Conference, the Geneva Conference, the World Economic Conference, and the Tariff Truce Conference—each of these directed attention to economic problems of an international character calling for international solution. And each of these conferences by its inefficacy pointed conclusively to the sorry lack of some sort of organized "international economic community." In an important measure, the ILO suggests the organization which is essential; and, judging from the failure of these post-war international economic conferences, the features which an organization must possess to make international collaboration effective are fourfold.

In the first place, there must be a separation of the "economic" from the "political"—so far as this is at all possible. Political bodies are necessarily dominated by questions of expediency and the legalistic point of view. And this suggests the advantage from the economic point of view of the ILO over that of the Financial and Economic Committee associated, as the latter is, with the political structure of the League of

²⁹ R. Teltsik, "The Ratification of International Labour Conventions," *International Labour Review*, XVIII, (no. 6, Dec., 1928), 716.

Nations. And it suggests further, one might say parenthetically, the complete autonomy of the ILO (which it now enjoys in fact)³⁰ and a broadly conceived program for the ILO—which, indeed, then should not bear the misnomer of the “International Labor Organization” but rather the title of “International Economic Organization.”³¹

In the second place, continuity and regularity are essential. This necessarily follows from the fact that the forces which give rise to such international problems as those whose solutions were attempted by the various international economic conferences to which we have referred above—such forces are not passing phenomena to be dealt with once and for all, somewhat incidentally and intermittently.

In the third place, research of a comprehensive and continuous nature is necessary. In this respect international efforts toward the solution of economic problems have been extremely inadequate. The research work for such efforts is particularly difficult. This the work of the ILO fully substantiates. Not only because of the extreme scope of the research needed but more so because such work necessitates the development in the different countries of standardization of collecting data, it is absolutely necessary that there be continuity in research in order that comparisons and conclusions can be made and carried forward.

In the fourth place, balance of interests must be provided by allowing for the collaboration of the social classes whose support is needed in order to put into effect those measures which might be necessary for the solution of the problem. For most economic problems this requires representation of the workers, the employers and the government. So far as concerns workers and employers, such balance of interests will be increasingly important with the further development of organization and centralization on both sides. And to the extent that the solution of the problem calls for public measures or legislation, it is obvious that the representation of the governments of those states which are concerned is essential for quick and direct support.

*Section XIII of the Peace Treaty gives the ILO a complete self-governing structure and relates it to the League on but two points—namely, its membership is made up of those countries which are members of the League of Nations, and in the second place the budget of the ILO is voted by the Assembly of the League. (The 56 states members of the League contributed 33,687,994 Swiss francs for the 1932 budget, of which the ILO received 8,710,290—almost exactly the same sum as for the previous years of 1929 and 1930. Cf. *League of Nations Official Journal*, 12th Year, no. 10, Oct., 1931, p. 1986.)

³¹One might say, incidentally, that complete autonomy of the ILO would also solve the problem which has never been solved, namely, Does membership in the ILO necessitate membership in the League of Nations? This question is, of course, of special interest to a country such as the United States which, in keeping with its traditional foreign policy, would refuse to accept membership in a “political” international organization but which might not hold the same view toward an international economic organization, such as the ILO, if it were actually and entirely separated from the League.

These four basic features, which are fundamental in an organization that will begin the groundwork in the creation of an "international economic community," are precisely those which the ILO has possessed from its very inception. Herein lies the real future significance of this institution—a significance which is not limited to the European nations alone but which also extends to the United States.

It is clear that the development of an international economic organization (or "community") will depend largely upon the conviction that there is a field of activity for such an organization. This conviction has been developing and has been frequently expressed. Apropos of the need of international organization, the statement of the late Professor Allyn A. Young in his presidential address to the American Economic Association in 1925 was as follows:

There is reason to hope that (with) the increase in the number and variety of contacts between the peoples of different countries national antagonisms will diminish. . . . The real ground for hope is that with the growth of communication and of economic interpenetration *new forms of economic organization will have to be designed*. . . . The world's political organization has not kept pace with its economic organization. . . . Increasing interdependence asserts itself in economic life. . . . National states, each acting only for itself, are inefficient guardians of these joint interests.³²

Finally, it might be said that the ILO has for the first time not only provided those features, referred to above, which are essential to an organization that is to make possible, and effective, international economic collaboration, but also it has that method and spirit of procedure which is in harmony with the present-day social point of view. The procedure and spirit to which I refer is that which characterizes the above-board, publicly formulated multilateral agreements of the ILO. A clear definition of an objective economic problem, separated as completely as possible from political implications; a complete examination of the views of all countries upon the subject in hand and a thorough fact-finding research into all aspects of the problem; a technical preparatory conference of experts fully qualified to supply the exact technical information upon which alone can be determined whether, and to what degree, the treatment of the problem permits the standardization essential to the drawing up of a multilateral agreement; and finally, a public, general, international conference which provides for discussion and voting from all sides (namely, the workers, the employers, and the public) upon the adoption or rejection of the multilateral draft convention—this whole procedure of the ILO is in keeping with our present outlook,

³² "Economics and War," *American Economic Review*, XVI (no. 1, Mar., 1926), 7. Italics mine. Cf. also, the presidential address of M. B. Hammond to the American Economic Association in 1931, "Economic Conflict in International Affairs," *American Economic Review*, XXI (no. 1, Mar., 1931), 1-10.

and is in sharp contrast with the formulation of the bilateral treaties of the past.

As important as the achievement of an organization is its promise. The very nature of the method of the ILO will be productive of frank, public, and democratic international collaboration in a wider field of economic problems than that to which it is now applied. That the ILO can do much to develop this type of collaboration by creating the social outlook upon which such collaboration is based is its most important potentiality. The view expressed by Professor Allyn A. Young is again precisely in point in this connection:

Just now the content of international economic agreements is not so important as it is that agreements should be reached. . . . The more important agreements of this general sort made before the war were unsuccessful. The difficulty with them was that they were *exceptional* arrangements. . . . To be really effective, such agreements must establish a general rule, not an exception to the rule. They must in some way *create a new standard of thought and conduct*.³³

This indicates the importance of the International Labor Organization of the League of Nations; it is an achievement and a promise not to the European countries alone but also to the United States.

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³³ *Op. cit.*, p. 12. Italics mine.

A Fundamental Error in Keynes's "Treatise on Money"

In this brief note attention is called to an important error in one of Keynes's fundamental equations. The implications of this discovery and its significance for an appraisal of the whole book require extended treatment which will be attempted by the author at a later date.

Mr. Keynes's first equation—that dealing with the price level of consumption goods—is derived from the self-evident proposition that $PR = E - S$.

From this equation as the starting point the final form $P = \frac{E}{O} + \frac{I' - S}{R}$

is reached by identifying I' , the cost of new investment, with $E \frac{C}{O}$, the ratio of the physical units of capital goods to the physical units of output as a whole multiplied by the earnings of all the factors of production including the normal returns to entrepreneurs.

This identity, while true for the base year,¹ does not hold for subsequent years except under one condition which is probably never found in the actual world. This condition is that changes in the technique of production must affect exactly alike the efficiency earnings of the factors producing capital goods and those producing consumers' goods. To illustrate: suppose a new technique doubles the efficiency of the workers making capital goods, but no technical advance is made in the field of consumers' goods. It follows that C has doubled, O has increased by an amount equal to the additional output of C (let us say by perhaps one-seventh or one-tenth). $E \frac{C}{O}$ has therefore increased. But there is no reason to suppose that the money expenditure incurred in producing the larger volume of C is any greater than before, since the increased output is due, not to the employment of more factors, but to the greater technical efficiency of the factors making capital goods. In short, while $E \frac{C}{O}$ has increased, I' remains constant.

It will be seen from this illustration that in years other than the base year $E \frac{C}{O}$ is equal to I' only when technical progress takes place simultaneously and to the same degree in both the capital goods field and the consumers' goods field.

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Comment on "Incidence of Real Estate Taxes"

Mr. Simpson's article in the *Review* for June is a commendable bit of work, in so far as it is descriptive of the extremely complex problem of tax shifting. But in times such as these, when all governments are finding it nearly impossible to conjure up sufficient income to meet current expenses, his point seems to be ill-taken that taxes should be so constituted that they, to use his concluding words, "will have less of the character of an invariable fixed charge and will be adjusted with some reference to the business situation and financial capacity of the taxpayer."

¹ I wish to acknowledge my indebtedness to my colleague, Mr. Herbert Tout, for the suggestion that perhaps the difficulty might be located in Mr. Keynes's method of measuring the physical unit of output.

It is extremely difficult to conceive of a system of taxes which would meet his requirements. Government expenditures represent at present a practically irreducible minimum, on account of the reluctance to abandon or even diminish any service once started. And furthermore, their natural tendency to increase through the assumption of still additional services, which is far more pronounced in periods of economic distress, predicates the necessity for increased revenues at a time when land, income, and other taxables are declining in value.

Accepting this condition as one which will stand the test of historical investigation, there is but one course available as a means of enabling taxation to conform to business conditions—the maintenance, or even reduction, of prevailing rates, and the financing of the deficit so incurred by bonds to be paid off in more prosperous times. Anyone at all cognizant of the absolute inability of a considerable number of municipalities to borrow on any terms at present will readily perceive the impracticability of this solution.

Of course, if it should be deemed desirable to shift the burden of a depression from the shoulders of the real estate owners to those of other classes of society, land taxes might be so reduced that they could be shifted to tenants, or even eliminated altogether; but the proportion of taxes to total expenses, including mortgage interest, on hypothecated property is so small that its complete elimination would offer but a scant additional margin of safety to the unfortunate land owner. A reduction of his fixed debt burden would be vastly more welcome. Furthermore, the other bases of taxation are little, if any, better suited to bear increased rates at a time when all values are shrinking. And there is no justification for relieving the land owner at the expense of other taxpayers.

Instead of employing one's energy in the direction of evolving some means of salvation from the dilemma of taxation for the real estate proprietor, wouldn't it be far better to use this energy in the direction of discovering methods of preventing or minimizing the growth of booms which lead him to enter upon commitments at a higher cost than future returns will justify? Or, why not nationalize land completely and thus remove any possibility of private owners being caught in the inexorable gears of a reduced income meshing upon the cog of a stable tax rate?

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The Effect of Taxation on a Monopolist

Edgeworth, in 1897, formulated an example to show that, in a monopolistic régime, the effect of a tax may be quite different from what one would expect. He considered a monopolist who sold a commodity, and who also sold a cheaper substitute commodity. To get a specific problem he took these as two classes of railroad tickets. He then set up certain rather plausible conditions under which the imposition of a small tax per unit on the more expensive commodity (that is, the first-class tickets) would lead the monopolist to lower his selling price on both commodities. Edgeworth returned to this phenomenon in a number of his later papers,¹ and it is now ordinarily connected with his name.

A study of Edgeworth's result led me to an investigation of the simpler case where the monopolist sells a single commodity. While no paradox as

¹ *Papers Relating to Political Economy*, vol. i, pp. 132, 148; vol. ii, pp. 93, 400, 427.

striking as the above can occur in this situation, a number of interesting results can be obtained. Some of them, it should be mentioned, can be inferred from passages in Evans' *Mathematical Introduction to Economics*,² but they are not explicitly brought out there.

It is fairly obvious that certain types of taxes will not lead a monopolist to raise his selling price. Perhaps the best examples are a percentage tax on net profits, and a tax of a single sum, perhaps a license fee, perhaps a tax on the value of a factory. We are not concerned with such taxes, but rather with those which are ordinarily passed on, to a greater or lesser extent, to the consumer, in particular, a tax of a certain amount per unit sold, or a tax of a certain percentage of the selling value, that is, an *ad valorem* tax.

Let us assume that the demand is a linear function of the price, that is, $y = ap + b$, where y is the number of units of our commodity which consumers will buy per unit of time when the price per unit is p , a is a negative constant, and b a positive constant. Further, let the cost of producing u units per unit of time be $Bu + C$, where B and C are positive constants. This is a simple but reasonable assumption; it means that there is a fixed overhead cost of C per unit time, and that the cost of production is then B per unit. The profit of the monopolist will be his gross proceeds, or yp , minus his cost of production, which will be $By + C$, since he will produce only as much as he can sell. Expressing everything in terms of p , and using P to represent profit, we have $P = ap^2 + (b - Ba)p - Bb - C$. This has its maximum value when the derivative of P with respect to p , which we shall denote by P' , vanishes, or when $p = (b - Ba)/(-2a)$. This is the price which the monopolist will (ordinarily) set.

Now what effect will a tax have on the monopolist's selling price? We shall show that a tax of t per unit produced (or sold) will lead the monopolist to raise his price by an amount half as large, while an *ad valorem* tax may not cause him to raise it by any appreciable amount. The first of these statements follows easily. A tax of t per unit simply changes the monopolist's cost function to $(B + t)u + C$, and it can be seen at once that the price which will maximize the profit is the same as before, except that B is to be replaced by $B + t$. This is equivalent to an increase in p of $t/2$. To illustrate the other, let us assume a special case. Suppose that the demand for theater tickets at a small moving picture house is represented by $y = -10p + 780$, where p is expressed in cents, and suppose that the cost to the owner of caring for y patrons is $2y + 7000$. This means that his fixed expenses, such as rent of film, salary of operator, ticket seller, etc., and lighting, are \$70 per night, while the expenses per customer total only 2 cents. This would include cost of tickets and programs, paper towels and drinking cups used, and might include usher service.

The results of the last paragraph show that the owner should sell his tickets at 40 cents, which will net him a profit of \$74.40 per night. If the government imposes a tax of 4 cents per ticket, it will be advantageous for him to raise his price to 42 cents. His profit will thereby be reduced to \$59.60, but if he kept the price at 40 or raised it to 44 his profit would be reduced, in either case, to \$59.20. Suppose now that the tax is not 4 cents per ticket, but 10 per cent of the selling price. The owner's expenses are now increased by $yp/10$, and his profit is now represented by $P = yp - cost - yq/10$, or by $P = -9p^2 + 722p - 8560$. This new profit is max-

² Sections 28-32.

imized when p is a trifle over 40.1 cents, which is equivalent to saying that the owner will not find it desirable to raise his price at all. At 40 cents, his profit will be \$59.20, as before, but if he raises it even to 41 cents, his profit will drop, though only slightly, to \$59.13.

The reader may be interested in generalizing this result. It is not difficult, using the demand and cost functions of paragraph (4), to determine the conditions under which an *ad valorem* tax will cause a smaller, or a larger, rise in price than a tax of t per unit.

Of course, if different demand or cost functions are used, the situation will change. Suppose the demand for a commodity is given by $y = k/p^2$, where k is a positive constant. This represents, to be sure, an extremely elastic demand. If the cost function of the monopolist is linear, as before, his profit will now be $P = k/p - Bk/p^2 - C$, which takes on its maximum value when $p = 2B$. Any change in B , as a tax of t per unit, will now cause the monopolist to raise his price to $2(B + t)$, or to raise it by *twice* the amount of the tax. On the other hand, conditions can be set up easily under which a similar tax will cause a very small increase in price. This is especially true if the cost function is quadratic in u , and not linear. Evans considers this case in section 28 of his book, and the reader can supply numerical illustrations.

Finally it may be interesting to consider a type of taxation under which the monopolist will actually be led to *lower* his selling price. Of course, if our theater owner were selling tickets at 40 cents, and a tax were imposed only on tickets selling at 40 cents or above, he would probably find it advantageous to lower his price. A not so obvious case is the following. Suppose the tax is graduated, 1 per cent on ten cent tickets, 2 per cent on twenty cent tickets, or, in general, the tax on a ticket selling at p is $p^2/1000$ in amount. The owner's profit is now $yp - \text{cost} - p^2y/1000$, or, using our earlier demand and cost functions, $P = .01p^3 - 10.78p^2 + 800p - 8560$. The derivative of P is $P' = .03p^2 - 21.56p + 800$, and setting the derivative equal to zero gives a quadratic equation. The methods of differential calculus show that the smaller root of this equation gives the maximum value of p ; the larger root, in fact, has no meaning in our problem. We find then $p = 39.25$. The reader can verify that, at 39 cents per ticket, the owner will make \$68.37 per night, while at 40 cents he will make 5 cents less. The difference would naturally not be great, for the tax we have assumed is a very small tax.

RAYMOND GARVER

University of California at Los Angeles

The Economists' Committee on Anti-Trust Law Policy

Many economists have viewed with grave concern the propaganda for the material modification or repeal of the Sherman act that has been carried on for the past two years, apparently under the leadership of a Committee of the American Bar Association. From time to time, as at the Washington meeting last winter, comments have been interchanged on this subject, and regret has been expressed that the interests of the general public and of the rank and file of producers and business men appeared to be receiving no consideration or public defense. Especially of late, the assertion that the Sherman act is responsible in large part for the present depression was felt to call for denial by economists who recognize the absurdity of such a view.

Action at length was prompted late this spring by the general belief as expressed in the press that at least one of the major parties and possibly both might incorporate in their platforms a pro-monopoly plank. Then a little group of economists who had given this subject attention came together quite informally and interchanged views, holding meetings successively in Princeton and at the Harvard Club in New York City. The sentiment was found to be strong in favor of the maintenance of the present anti-trust law policy in principle, and for the more efficient enforcement of the laws, and their strengthening in some details rather than their weakening. Opinion was unanimous against the pending proposal to confer upon trade associations the right to make monopolistic agreements, to exercise monopolistic control over conditions of production, and to fix prices even though linked with some nominal public supervision by the Federal Trade Commission or some similar body.

It was felt that, in view of the conditions, economists had a peculiar public duty at this time as private citizens and in no partisan spirit to give expression to their views based upon special studies and knowledge of the subject. It was resolved to prepare through a subcommittee a brief statement to be presented to the Committees on Resolutions of the two major parties. The original signers of this statement were Messrs. Atkins, Bogart, Bonbright, Commons, Daniels, Fetter, Sharfman, Thorp, and Viner. It was then sent to a limited list of economists, usually to but one in an institution, with the request that he submit it to his colleagues. The academic year was ending, and in many institutions the faculty had already dispersed, but replies to the number of about 100 were promptly returned before the Republican Convention, and some 27 more in the next few days in time for submission to the Democratic Convention. The signatures came from 43 institutions in 24 states. Among the signers were seven former presidents of the American Economic Association. The statement was given to the press and to the National Committees at the headquarters of both parties in Washington, June 13, and was sent with covering letters by air mail to the chairman of the Resolutions Committees in Chicago.

Besides the 127 authorized signatures, a number of other replies were received expressing agreement "heartily" or "fully" with the general policy embodied in the Statement, but attaching minor conditions with slight changes of phraseology which made it impossible to use their signatures. A number of others in entire accord with the Statement, some even who took part in the conferences, felt it necessary on account of various professional conditions (happily not academic) to withhold their names. A few replies were received which expressed more serious dissent in various degrees, ranging in one case down to a desire for complete repeal of the Sherman act. These came mostly from schools of business rather than from liberal arts faculties, one of them particularly from a region where there was one of the "sick industries." One correspondent agreed fully in opposing any change in the present anti-trust laws, but would not sign for the unique reason that he thought the laws were already thoroughly enforced and completely successful in suppressing monopoly.

The Statement as drafted, even after some helpful amendment, gave to some readers an unexpected and unintended impression of a static policy that was hostile to "experimental departures from the anti-trust laws when accompanied by alternative protections to the consumer in the form of regulation" (as one of the original signers expressed it). This is to be regretted,

for the statement was meant primarily to be interpreted as opposing the American Bar Association amendment, and not to forestall enlarging, in the light of experience, either the field of public utilities with adequate commission control, or the range of public ownership or management. A strong sentiment in favor of such possibilities was reflected in a number of the replies of those signing.

The outcome as to the party platforms is now known. Although spokesmen for various organizations appeared before the Republican Resolutions Committee favoring the proposed modification plank, and although James R. Garfield, chairman of the Committee on Resolutions, has since expressed himself at the Virginia Institute in favor of so amending the Sherman act, the Republican platform was silent on this subject. The Democratic platform, though brief in expression, embodied essentially the principles expressed in the *Economists' Statement*.

The text of the Statement as addressed to the two parties, together with the names of the 127 signers, follows. The institutional connection is given merely for identification and not, it is hardly necessary to say, to indicate official responsibility or institutional action. The Committee was hastily organized *ad hoc*, had no partisan purpose, has no subsidy or aid, and expects to maintain no permanent organization. Inquiries, however, may be addressed to the present writer. The individual signers will follow any course they personally desire. The movement, while time-taxing to the few who did the active work, has been justified by its stimulation of interest among economists in this important subject, and numerous expressions of gratitude to those initiating the Statement came along with the answers, amply to repay our labors.

FRANK A. FETTER
Chairman pro tempore

Princeton, New Jersey

Statement

The undersigned as independent students of the subject believe that the weakening of the Sherman Anti-Trust act would involve consequences of a radical nature, inconsistent with the very principles of private industry. The widening and extension of the realm of public price fixing in industry and commerce resulting from such action must impose an impossible burden upon governmental agencies of control and irreparable injury to the political and social, as well as economic, interests of the whole people. Without entering in detail into the reasons for these views, we respectfully urge the adoption of an anti-trust plank in the platform of the Party embodying the following propositions and principles:

1. Opposition to the amendment of the existing anti-trust laws in any manner that would weaken them as agencies for preserving the policy of free markets for industrial products whereby individual and small corporate enterprise may be assured unhindered opportunity to demonstrate through efficiency, service and low prices to the public, its right to survival in business.

2. Reaffirmation of the essential principle of fair competition in all lines of industry not given over to public price control through commissions; recognition that unless there be such public protection the policy of free markets is essential to the interests of the great mass of people—the consumers, workers and multitudes of independent business men.

3. Rejection of the assertion made by those seeking to break down the Sherman act, that it makes necessary the development of excessive capacity and wasteful over-production, and the equally false assertion that this was one of the causes of the present industrial depression. On the contrary, the most competent economic opinion, as well in Europe as in this country, can be cited in support of the view that a strong contributing cause of the unparalleled severity of the present depression was the greatly increased extent of monopolistic control of commodity prices which stimulated financial speculation in the security markets. There is growing doubt whether the capitalistic system, whose basic assumption is free markets and a free price system, can continue to work with an ever widening range of prices fixed or manipulated by monopolies.

4. Recognition that the anti-trust law legislation has been frequently violated with impunity, and has been inadequately enforced throughout much of the period since its inception; this has resulted in the control of large areas of the industrial field by great combinations and by monopolistic practices having neither legal nor economic justification.

5. Pledge, for the party, of a genuine and effective enforcement of existing laws aimed to secure regulated competition, with needed publicity in large corporation affairs, and to this end such changes in administrative practices as are needed to correct well recognized evils and to redress the injured right of citizens in their business relations.

6. Pledge of further legislation to remedy widespread evils manifestly resulting from the abuse of the corporate fiction, and from the enormous excesses of the holding company device.

Names of signers:

Arizona:	Univ. of Ariz.—E. J. Brown
California:	Mills Coll.—Glenn E. Hoover
	Occidental Coll.—Arthur G. Coons, John Parke Young
	Pomona Coll.—George S. Burgess, Kenneth Duncan
	Stanford Univ.—M. K. Bennett, Eliot Jones, Holbrook Working
	U.C.L.A.—J. C. Clendenin, Constantine Fannunzio, N. S. Noble,
	George W. Robbins, Marvel N. Stockwell, Gordon S. Watkins
Colorado:	State Agr. Coll.—D. N. Donaldson, L. A. Moorhouse
Connecticut:	Trinity Coll.—G. A. Kleene
	Wesleyan Coll.—Clyde Olin Fisher
	Yale Univ.—Winthrop M. Daniels, Clive Day, James Harvey Rogers
D.C.:	The Brookings Institution—C. O. Hardy
Georgia:	Emory Univ.—L. E. Campbell, T. J. Canley, M. G. Evans
Illinois:	Rawleigh Foundation—H. R. Mohat, W. J. Rawleigh
	Univ. of Chicago—Paul H. Douglas, S. E. Leland, H. A. Millis,
	S. H. Nerlove, Henry Schultz, Jacob Viner, Chester W. Wright
	Univ. of Ill.—E. L. Bogart, David Kinley, N. A. Weston
Indiana:	Indiana State Teachers Coll.—Waldo F. Mitchell
Iowa:	Iowa State Coll.—A. G. Black
Massachusetts:	Amherst Coll.—Willard L. Thorp
	Mass. Inst. of Tech.—Carroll W. Doten
Michigan:	Univ. of Mich.—H. L. Caverly, Z. C. Dickinson, M. Elliott, Howard Ellis, Max Handman, W. A. Paton, Shorey Peterson, I. L. Sharfman, Fred M. Taylor, V. P. Timoshenko, Leonard Watkins
Minnesota:	Univ. of Minn.—Ralph Cassady, George Filipetti, Frederick B. Garver, Alvin H. Hansen, E. A. Heilmar, Arthur W. Marget, Bruce D. Mudgett, Emerson P. Schmidt, J. Warren Stehman

- Missouri: Washington Univ.—I. Lippincott
New Hampshire: Dartmouth Coll.—William A. Carter
New Jersey: Dana Coll.—William L. Nunn
Princeton Univ.—J. Douglas Brown, Denzel C. Cline, Frank T. De Vyver, Frank H. Dixon, Harold W. Dodds, Frank A. Fetter, Frank W. Fetter, Leslie T. Fournier, Stanley E. Howard, George F. Luthringer, A. M. McIsaac, George M. Modlin, Vernon Mund, James G. Smith, Raymond C. Whittlesey
New York: Brooklyn Law School—Henry Ward Beer
Univ. of Buffalo—Shaw Livermore, Thomas L. Norton, Charles S. Tippetts
Columbia Univ.—James C. Bonbright, John Bates Clark, Reavis Cox
N. Y. Univ.—Willard E. Atkins, Lewis H. Haney, Walter E. Spahr
N. Y. City—John Bauer, James E. Pope
Union Coll.—W. W. Bennett
Ohio: Ohio State Univ.—M. B. Hammond, F. E. Held, C. C. Huntington, Virgil Willit
Oklahoma: Univ. of Okla.—Arthur B. Adams, Frederick L. Ryan
Pennsylvania: Bucknell Univ.—A. B. Biscoe
Haverford Coll.—Don C. Barrett, John G. Herndon, Jr., Frank D. Watson
Univ. of Pittsburgh—A. E. Boer, Prentice Dean, George McCabe, Francis Tyson
Swarthmore Coll.—Robert C. Brooks, Herbert F. Fraser
Washington & Jefferson Coll.—M. C. Waltersdorf
Texas: Univ. of Texas—George W. Stocking
Virginia: Univ. of Va.—A. J. Barlow, Abraham Berglund, E. A. Kincaid, T. R. Snavelly, G. T. Staines
Washington: Univ. of Wash.—S. J. Coon, T. S. McMahon, H. H. Preston, H. E. Smith
West Virginia: W. Va. Univ.—Arnold W. Johnson, Louis A. Rufener, E. H. Vickers
Wisconsin: Lawrence Coll.—M. M. Bober, W. A. McConagha
Public Service Commission—E. W. Morehouse
Univ. of Wisconsin—John R. Commons

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Economic Stabilization in an Unbalanced World. By ALVIN H. HANSEN.
(New York: Harcourt Brace, 1932. Pp. ix, 384. \$3.00.)

That we are living, at the moment, in "an unbalanced world" may fairly be taken for granted. Also Professor Hansen is probably right in taking for granted that modern societies are determined to strive for a greater measure of security and stability. Here is presented an economic problem of the first magnitude. Of those who have essayed to attack it, many have appeared to find in our present unbalanced state a novel situation, upon which neither past experience nor accepted economic doctrine may be expected to throw light. Prosperity in 1928-29 painted a rainbow-picture, in which poverty was abolished, the business cycle put to rout, and orthodox economics refuted. Crisis and depression, in smudging out this picture, served only to cast further doubt upon economic theory and to invite superficial analysis and many a fantastic panacea.

The present book is of a different sort. Clearly believing that the principles of orthodox economics have as a whole lost neither their validity nor their usefulness, its author boldly sets forth to apply these principles to the elucidation of our world problem. This is a hard task. The problem itself is dishearteningly complex, and the economic principles involved are not to be reduced to words of one syllable. The reader of this book must be prepared for some hard going. This was probably unavoidable; those exponents of the new economics who find themselves able to explain modern economic phenomena in relationships as simple as two-and-two-make-four convict themselves at the outset of ignorance or a willing superficiality. This book is frankly theoretical and a fine example of keen, scholarly analysis.

So much for point of view and method of attack. Professor Hansen seeks first to expose the causes of instability, with special attention to their international character. In this part he discusses, historically and theoretically, such factors as reparations and war debts, foreign investment of capital, tariffs, the mal-distribution of gold, and Russian dumping. Parts II and III of the book are devoted respectively to world-wide unemployment and population stabilization. In Part III, he develops his conclusions as to the possibility and the means of economic stabilization under the capitalistic régime.

In forging toward his goal, the author finds himself compelled to clear the path of numerous popular fallacies. The unprejudiced reader will derive no little satisfaction from these debunking excursions. For example, Professor Hansen leaves scant foundation for the popular notions of over-production and a "surplus" that can be absorbed only by finding

foreign consumers. He rejects the corollary that government spending (of money raised by taxation) is needed to make good the deficiencies of private spending. No justification is found for the theory that the development of new industries is essential to prevent unemployment, as illustrated by the widespread belief that the fortunate expansion of the automobile industry, radio, road building, etc., caused the good times of 1923 to 1929 and that, if prosperity is to continue, new products must be found when these have reached their saturation point.

Finding undoubted maladjustments between the rates of investment and of savings, Professor Hansen sees no validity in the popular notion that they result from too much saving. "It is a serious fallacy to assume that over-capacity can be eliminated by a curtailment of the volume of savings, or that a country which saves a relatively small proportion of its income will enjoy more equal wealth distribution." These maladjustments "result from the dynamic character of industry" (pp. 153-155).

There is demonstration of the fallacy in the popular notion, dear to the hearts of American labor leaders, that unemployment may be cured by a shorter working day and stricter limits upon the labor of young and old persons. These devices would indeed serve to take up the slack in any period of depression, but they would do nothing to minimize the seasonal or cyclical causes of unemployment, which would thereafter tend to be just as serious as before.

Professor Hansen has much to say of wages and of the current theories thereof. "The popular notion that high wages increase the total national consumption and hence production is a great fallacy" (p. 152). In harmony with the view of orthodox economics, he finds that unduly high wages, so far from promoting stability, have been a cause of unemployment. As might be expected, he finds it "extremely unfortunate that the wholly erroneous theory that depression can be minimized by maintaining wage rates rigidly at the former level, despite the fall in prices, has gained such wide currency" (p. 366), and he sees in President Hoover's policy of 1929-30 an influence maintaining social stability but inimical to economic recovery.

Professor Hansen's general analysis of the case for social control will not please the friends of socialism. Nor, on the capitalistic side of the fence, will it bring encouragement either to the extreme advocates of social control or to those (if there still be any such) who think that, left to itself, the economic world will find the prosperity of 1928-29 "just around the corner."

Regarding unemployment, Professor Hansen reaches what he himself calls a pessimistic conclusion. "A controlled economy is less flexible, less adaptable, less capable of finding adjustments to disturbing changes, than a free market economy" (p. 194). Yet he recognizes that the opera-

tion of natural forces, in thus serving the interest of the whole, is ruthless toward the weaker individuals. Hence public opinion demands control, and the United States must eventually adopt some plan of unemployment insurance.

As to the broad problem of stabilization, Professor Hansen finds that "a planned economy is so alluring that many business executives, economists, and politicians have concluded that some sort of planned economy is the way out for capitalism" (p. 361). His analysis of *laissez-faire* (Ch. 21) and of the new trends in capitalism and socialism (Ch. 22) leads to the observation that capitalism and socialism are converging and that social control is theoretically possible under capitalism, as well as under socialism, provided that the price system be maintained. Otherwise individual freedom would perish and efficiency be impaired.

Professor Hansen speculates upon the possibility that capitalism is doomed, through the squeezing out of profit between the upper and nether millstones of labor's demand for higher wages and government's tax exactions. Anyway, if capitalism is to continue under a free market, it must secure a greater degree of stability than has been attained during the past decade.

On the other hand, the current schemes for securing stability are shown to be mostly fallacious. Stabilization by expenditures on public works is an illusion, the theoretical possibility being overwhelmed by practical and political difficulties. Nor does the author see hope in currency inflation. He takes sharp issue with Keynes here. He does not believe the monetary structure of the world can sustain the 1929 price level. Inflation will not solve the depression, and it is not a sound remedy, since it carries with it the seeds of subsequent maladjustments. In this connection, interest attaches to the observations on the results of post-war inflation in England, Germany, and France contained in Chapter 1.

So far we have not succeeded at all in controlling the price level; and, lacking such control, social control in other directions serves only to intensify our economic difficulties. Even the control that would be possible could prices be regulated would be definitely antithetical to economic progress. Progress in its very nature implies change, creates instability. The author seriously questions whether we have yet reached a standard of living high enough to warrant the luxury of security at the cost of progress. This thesis is developed at length, brilliantly and convincingly, in Chapter 21.

It becomes apparent that this review is fated not to arrive at any one simple conclusion. But then, neither does the book—which is one mark of its sincerity. It is no surprise to find Professor Hansen unable to avoid the conclusion that a certain degree of fluctuation is inevitable in a dynamic society. Elimination of the business cycle may be accomplished

only by destroying human freedom and deadening economic progress. That is too high a price to pay. We must pull ourselves out of the present depression, not by "the soothing and agreeable device of inflation," but by "hard work and readjustments that are painful," under the operation of natural laws. "Industry is slowly but surely making the required readjustments. Wastes are being eliminated. Fixed charges are being scaled down—Money wages are being adjusted—Cost per unit of output is being reduced." This "entails unemployment and suffering while the readjustment is going on. In the depression period society suffers the birth pangs of an improved production technique that paves the way for higher material standards" (p. 378).

The author, as he acknowledges in the preface, has addressed his book to a mature audience possessed of some knowledge of general economic principles. Very probably only such will have the patience to read this book or the background to comprehend it. Though possibly unavoidable, that is too bad. For it is precisely those persons whose knowledge of fundamental economics is insufficient to protect them against the current flood of pseudo-economics who would be most profited by an understanding of the profound truths which this book sets forth.

FRED ROGERS FAIRCHILD

Yale University

Economic Behavior: An Institutional Approach. By WILLARD E. ATKINS, DONALD W. MCCONNELL, CORWIN D. EDWARDS, CARL RAUSHENBUSH, ANTON A. FRIEDRICH and LOUIS S. REED. Vols. I and II. (Boston: Houghton Mifflin. 1931. Pp. xiii, 601; iv, 562. \$3.00 each.)

Introductory chapters point out that the economies of hymenoptera, like those of men, involve want, scarcity, effort, proprietorship, fixed capital structures, inventories, and the proportioning of factors; that the peculiar attributes of human economies are the social habits and customs which constitute culture; that different human economies are built around different "economic habits"—the Melanesians' economy around head-hunting, ours around money-making and spending.

The remainder of Book I is devoted to the machine industry, the monetary system, and business organization. In the discussion of internal business organization departmentalization is slighted. Book II deals with financial enterprises, the money market, and the federal reserve system. The student is thus introduced to the functioning of supply and demand by the case method without the presentation of a schematic "law." Incidentally the bearing in this market of the functioning of supply and demand upon economic control is emphasized. The treatment of commercial banking is sketchy. In the reviewer's opinion it would have been better

to introduce the student to balance sheets before discussing the banking system and also before discussing the corporation.

Books III and IV present generalizations regarding our system of prices, exchange, and distribution. The nature of the authors' economic theory may be indicated by a partial list of topics: sales effort; the rise of manufacturer dominance; contrasting price policies on standard and branded goods; overhead costs, cut-throat competition and branding; resale price maintenance; the conventions and varied practices of cost and income accounting; the relations of accounting to price policy, to insider speculation and to public regulation; the varieties of market organization; organized exchanges as approximations to the perfect market modified by "crowd psychology"; excessive competition in coal and oil; following the leader of the market; competition, its functions, unfair forms, and when it raises costs; the system of prices; changing price levels; business cycles; standards of living and folkways of consumption; defects in existing market information and consumer education; existing inequalities in distribution of wealth and income; the sources of large fortunes.

Book V deals with the position of employees in modern society—economic insecurity; organized labor, its forms, extent, policies, and tactics; employment management; the attitudes of government.

There are a variety of problems treated in Book VI: the process of the penetration of our pecuniary culture into other cultures; the relation of government to private industry and trade; public utilities; government ownership; the tax system; the population problem; the socialist movement; Russia. The "new capitalism" is briefly dismissed. It is appropriate that a text which emphasizes a genetic and historical approach should conclude with a chapter on "whither bound?"; but the subtlety of argument in this chapter is likely to hamper its usefulness for many readers.

There is a conspicuous absence in this text of the simple, schematic generalizations of traditional theory, with their necessary ambiguities of concrete significance for the functioning and problems of our present order. There are, however, many generalizations specifically limited and specifically applicable to our present type of organization. In spite of diversity in authorship these two volumes succeed in maintaining a definite unity of viewpoint. The style is attractive, the exposition is clear, and illustrations and historical perspectives are well worked out. If the use of statistical measurements is not very evenly distributed through the text, and if the statistical compilations cited have not been refined by the writers, this text at least compares favorably with others on the statistical side. Perhaps the chief defect is that, while in the chapter on business administration it is casually mentioned that "private property,

contracts, money-seeking, and competition bring about the organization of economic society," there is no one portion of the work devoted to a systematic elaboration of this theme. Those teachers who have a strong urge to inculcate in others the traditional schematic principles which have been inculcated in them, will probably reject these volumes as lacking in discipline in rigorous thinking. But training in logical thought does not require any particular set of assumptions. The book compares favorably in logical consistency with most of the more orthodox texts. Those who prefer realism to the elaboration of over-simplified abstractions will find the incidental references to important pioneers in economic thought adequate for an introductory course and will heartily welcome the appearance of this text.

MORRIS A. COPELAND

University of Michigan

Economics. By IRA B. CROSS. (New York: American Institute of Banking. 1931. Pp. 552.)

This is an elementary economics textbook specifically prepared for the use of students in the American Institute of Banking. The reviewer can lay no claim to a knowledge of the specific sort of economics that the American Institute of Banking wishes to be studied in its classes. In the review he can merely consider whether the volume constitutes a good description of the present economic order and explains the underlying principles in such a fashion that the beginning student can understand them clearly.

Professor Cross states in the preface that "the volume contains a minimum of economic theorizing and the amount of theory that has been included is necessarily most general in character." One would naturally expect the material to be very largely descriptive, and there is an undoubted place for descriptive literature in the field of economics. Professor Cross, however, has discussed in 539 pages of large type most of the principles, theories, and problems that are ordinarily handled in elementary textbooks of twice that length. The treatment in many cases is inevitably superficial.

An example of this is in the treatment of the marginal productivity theory of distribution. In six pages Professor Cross sets forth the theory and then to his own satisfaction demolishes it. Leaving aside the question as to whether Professor Cross has done justice to this theory, the reviewer after some twelve years of teaching in the elementary course simply does not believe that the beginning student will know what it is all about after such a summary treatment. Since the author states in the preface that he has seen fit to throw aside the old idea of functional distribution and that his concern is with personal distribution, it would

have been better for purposes of clarity not to discuss the determinants of wages, interest, rent, and profits than to have done it so inadequately. In the same manner, value and price are treated in a brief chapter which strangely enough appears immediately preceding the final chapter on suggested methods of reform. If value is to be treated at all, it should have been done more adequately and should have appeared early enough so that value and price principles could have been used in connection with problems such as taxation, railroad rates, etc.

Of criticisms of individual theories or treatment of material in the individual chapters any economist of whatever school could probably bring forth plenty. This is probably due in large part to the inadequate treatment given the various theories and topics. The reviewer only suggests a few places with which he would disagree. Renting houses, hiring automobiles, and the like are called non-productive activities (p. 107). It seems a strange definition of production that rules out such an important type of economic activity.

Capital is defined as "the funds (money and credit) employed to obtain the use of both human and non-human elements for a productive purpose" (p. 109). To the beginning student this would probably identify the capital supply of any period with the amount of money and credit in existence at that period. No distinction is made between returns and costs. In fact, the author specifically states that the railway system represents a business of increasing returns or of decreasing costs (p. 182). It is possible that a railroad may be in the stage of decreasing returns and of decreasing costs. It is stated that over-capitalization such as putting \$10,000 in a peanut stand (this really means over-investment) is of no serious concern to the public unless the business fails (p. 204). This overlooks the problem of the proper allocation of the productive factors, a question of most serious concern to the public.

The reviewer agrees that most economists pay too little attention to personal distribution, but that is not to say that functional distribution should be eliminated. Functional distribution is most important in considering the organization of production. Socialism would not destroy interest and rent. Nor does Professor Cross eliminate them; for after his tilt with the marginal analysis, he sets up the bargaining theory and most surprisingly has a chapter on profits when he has previously proved that entrepreneurship as a separate factor of production does not exist. Although the reviewer believes that the distinction between land and rent and capital and interest has been overdrawn by most economists, yet he feels that there is a sufficient difference between the rent of land and the "rent" of a dress suit that the return of both should not be lumped under the same distributive share.

Professor Cross constantly emphasizes that he is describing things as they are and not trying to establish an ideal set of terms and definitions. Then why state that gains on the stock market are not income (p. 373); for certainly with things as they are the federal government taxes such realized gains as income. And finally one doubts the realism of the following: "In the past many ways of obtaining wealth and income have resulted in the enrichment of a few at the expense of many. . . . Today, however, we find the situation greatly changed. . . . Wealth must be so obtained and so used and business of all kinds must be so conducted as to redound to the interests of society as a whole and not to the interest of any particular class of people" (pp. 67-68).

EARL R. SIKES

Dartmouth College

The Theory of Protection and International Trade. By MIHAIL MANOILESCO. (London: P. S. King. 1931. Pp. xxxi, 262. 12s. 6d.)

In this volume by a prominent Rumanian economist and statesman we have a new, and in some respects refreshingly novel, approach to the problem of customs protection and the whole vast subject of international trade. Mr. Manoilescu begins with the proposition that there is not, in the voluminous literature on the subject, a full-fledged theory of protection. In none of the numerous existing treatises does he find anything approaching scientific proof of the economic validity of the protectionist arguments. Even in Friedrich List he finds, as the underlying motive, a belief that only free trade is a scientifically justifiable rule of conduct in international economic relations, with the idea of protection being put forward by the famous German economist as merely a transitional stage to ultimate free trade. Accordingly, Mr. Manoilescu, an ardent believer in protectionism, undertakes to set up a scientific theory of protection as an economic aim in itself.

He does this by discarding the classical theory of comparative advantage and substituting for it a rather ingeniously defined concept of productivity. By comparing the value of product per man in industry and agriculture, he concludes that the former is much more productive than the latter. In the same way, he builds up a scale of productivities relating to various branches of production, and argues somewhat as follows: The fact that it requires the labor of 300 Rumanian workmen to produce a quantity of cloth which can be produced by the labor of 100 British workmen does not necessarily mean that it is more advantageous for Rumania to import cloth from England than to manufacture it at home. If, in order to pay for the imported cloth, Rumania has to export a quantity of wheat in the production of which she had expended the labor of 500 workmen, then to produce the same quantity of cloth at home would

represent, in the national labor account, a saving of the labor of 200 workmen and would, consequently, be more beneficial to the country than to import it—no matter how high a duty it may be necessary to impose on the imported product in order to protect the domestic producer, and no matter how much the price to the domestic consumer may rise as the result. On this basis, he makes the following startling assertion:

Indeed, if we are in such an exceptionally inferior state of national production that for certain goods the productivity of national labor is so small in relation to what it is abroad that the price of the national goods should be three times bigger than the price of the foreign goods, and if, in spite of this, the degree of productivity required for the creation of the goods at home is still superior to the highest degree reached by any other goods in the country, then a customs tax of 200 per cent would be practically and theoretically justified, and would establish equanimity with foreign prices and would allow the production of the goods in the country. Thus, in spite of the considerable comparative inferiority with abroad, the country would have an advantage in introducing a new activity with a degree of productivity not before attained by any other home production. (P. 136.)

And again:

We believe that we have shown that it is protection alone which gives nations with a small degree of productivity the possibility and liberty of increasing their average level. On the contrary, free trade, by preventing countries from raising the productivity level, becomes for them a system of constraint. Summing up: protection is liberty; free trade is constraint. (P. 152.)

Mr. Manoilescu brings to his work an immense erudition (he shows an intimate familiarity with the economic literature of all important countries) and a large practical experience (in addition to private business activity, he has served, successively, as his country's Undersecretary of State for Finance, Minister of Trade and Industry, and Governor of the National Bank). His work is admittedly but the beginning of his researches: all through the volume he deals with nations as units, leaving to a future treatise the consideration of the interests of individuals and groups within national boundaries. An appraisal of his theory should, in all fairness, be deferred until he has published his conclusions on this all-important phase of the subject. But even as it stands, his work arouses one's admiration by the acuteness and logic of his analysis and merits serious and close attention.

LEO PASVOLSKY

The Brookings Institution

NEW BOOKS

AMANTIA, A. *Principii di economia politica*. 3rd ed. (Catania: Stud. Ed. Moderno. 1931. Pp. viii, 535. L.20.)

BÖHM-BAWERK, E. VON. *Grundzüge der Theorie des wirtschaftlichen Güter-*

- wertes. Reprints of scarce tracts, no. 11. (London: London School of Econ. and Pol. Sci. 1932. Pp. 150. 5s.)
- CARVER, T. N. and ADAMS, G. M. *Our economic life: a general social science.* (Philadelphia: Winston Co. 1932. Pp. x, 437.)
- DALLA VOLTA, R. *Scritti vari di economia e finanza.* (Firenze: Seeber. 1931. Pp. 624. L.20.)
- DEGLI ESPINOSA, A. *La forma e la sostanza dell'economia.* (Firenze: Casa Ed. Poligrafica Universitaria. 1931. Pp. 89. L.5.)
- DEL VECCHIO, G. *Lezioni di economia applicata. Part 2. Politica economica.* 4th ed. (Padova: A. Milani. 1931. Pp. ii, 558. L.58.)
- EDGEWORTH, F. Y. *Mathematical psychics.* Reprints of scarce tracts, no. 10. (London: London School of Econ. and Pol. Sci. 5s.)
- ELSTER, L., editor. *Wörterbuch der Volkswirtschaft. Band II. Galiani—Regalien.* 4th ed. (Jena: Fischer. 1932. Pp. viii, 1214. Rmk. 56.50.)
- JOHNSON, E. A. J. *American economic thought in the seventeenth century.* (London: P. S. King. 1932. Pp. xi, 292. 12s.)
- LONGFIELD, M. *Lectures on political economy.* Reprints of scarce tracts, no. 8. (London: London School of Econ. and Pol. Sci. 1931. Pp. xii, 267. 5s.)
- MCCULLOCH, J. R. *Letters of John Ramsay McCulloch to David Ricardo, 1818-1823.* Edited by J. H. HOLLANDER. Reprints of economic tracts, ser. 4, no. 1. (Baltimore: Johns Hopkins Press. 1931. Pp. 44. \$1.)
- MOLL, B. *Gerechtigkeit in der Wirtschaft?* (Berlin: Paul Parey. 1932. RM. 5.20.)
- PANTALEONI, M. *Principii di economia pura.* 2nd ed. (Milan: Frat. Treves. 1931. Pp. 428. L.30.)
- PATTERSON, S. H. *Readings in the history of economic thought.* (New York: McGraw-Hill. 1932. Pp. xi, 745. \$4.50.)

The readings selected by Professor Patterson begin with Mandeville (1714) and end with Robert Ellis Thompson (1895). Doctrinally, they are intended to span the economic literature between the beginnings of English classical thought and the emergence of neo-classicism. Excerpts from easily available treatises like *The Wealth of Nations* or the *Principles* of Ricardo or J. S. Mill are intentionally excluded. These three writers are represented by selections from their minor works.

Against the grouping of Mandeville, Hutcheson, Adam Smith, and J. B. Say, there can be no objection. In the group designated as the "Malthusian controversy" (illustrated by excerpts from Franklin, Godwin and Malthus) there seem to be as many reasons, or more, for including Süssmilch, Wallace or Condorcet as there are for including Franklin. "Classicism and utilitarianism" comprises selections from Bentham, Ricardo, James Mill, Senior, J. S. Mill, and Cairnes. Jevons and Böhm-Bawerk represent "marginalism" with not even a suggestion that Jevons was influenced by Gossen or that the roots of the mathematical school were being nurtured during the halcyon days of classical thought. The grouping of "optimists" with "nationalists" unfortunately distorts the meaning of "optimism" as a descriptive term in economic methodology; while the inclusion of Robert Ellis Thompson as a significant figure in the history of economic thought is a doubtful appraisal.

Professor Patterson's excuse for excluding the German Historical School is scarcely acceptable, namely, that selections "have been made from the

point of view of English speaking students." Although the British Historical School has left its mark on economic thought, Ingram, Leslie, Bagehot, and Toynbee (who are included) cannot compare in influence with Roscher, Knies or Schmoller, to say nothing of the other German writers. To group an incurable romanticist (Ruskin) with Sismondi, who, although he is at times sentimental, is always a realist, is inaccurate and misleading. Robert Owen might well have had a place with Fourier, Proudhon, Marx and Engels as representing "socialism and economic radicalism." Henry George, F. A. Walker and Simon Patten are indeed worthy of inclusion. They deserve, however, a better description than "miscellaneous American writers."

The editorial work has been confined to 33, one-page, biographical articles in which there are frequent typographical errors, mistakes in titles of books, and misspelled words. Simon Patten, we learn, "founded no school of thought except in the hearts of his associates" (p. 707); while Ricardo "embraced Christianity and married a Christian" (p. 191). Is it important for the student to know that Fourier "was somewhat pedantic in mind and dissolute in character, but withal he possessed a mild disposition and a vivid imagination" (p. 580)? We are told that Jevons' "distinction between total utility and marginal utility gave the key to Smith's famous paradox of value" (p. 324). The assertion that the "theoretical objective" of List's *National System of Political Economy* "was the shattering of Smith's gospel of free trade (p. 380) is misleading for the simple reason that List's system made free trade the ultimate consequence of nationalism.

E. A. J. JOHNSON

- ROBINSON, E. A. G. *The structure of competitive industry*. (New York: Harcourt Brace. 1932. Pp. viii, 184. \$1.25.)
- SCHNEIDER, E. *Reine Theorie monopolistischer Wirtschaftsformen*. (Tübingen: Mohr. 1932. Pp. 175. M.14.40.)
- SELLA, E. *Dottrina del valore*. (Padova: A. Milani. 1931. Pp. vi, 270. L.32.)
- SPAHN, W. E., editor. *Economic principles and problems*. Vols. I and II. *Questions and problems to accompany Economic principles and problems*. (New York: Long & Smith. 1932. Pp. ix, 655; v, 627; viii, 48. \$6.)
- STEPHENSON, J. and BRANTON, N. *Economics of production and exchange: an introduction to economic theory*. (London and New York: Pitman. 1932. Pp. 474.)
- VOGEL, E. H. *Grundzüge einer sozialorganischen Privatwirtschaftsverfassung*. (Berlin: Paul Parey. 1931. Pp. vi, 129. R.M. 7.80.)

This volume is another contribution to the already voluminous literature on the "new economic" order which is seen emerging from the "ruins" of present day capitalism. Taking apparently for granted that the present economic régime is doomed, the author attempts to sketch the rough contours of his "ideal" economic society. He summarily rejects the Marxian conception of collective economy as authoritarian and inimical to economic progress, and equally opposes the neo-romantic conception of a "ständische Wirtschaft" as urged by Spann and his school, because it recognizes and sanctions the existence of separate classes in society whose conflicting interests, implicitly assumed, will call for continuous adjustment of an intervening state. Professor Vogel emphatically denies the existence of class conflict between employee and employers, rejects the

concepts of class consciousness and would have his society organized on the basis of trade or rather enterprise consciousness. The unit of his scheme of economic organization is thus the enterprise, which embodies the common interests of worker and owner alike. Consequently, the workers should share in the management of the enterprise which is the ultimate source of profits as well as wages. The enterprise would thus become an organic unit rather than a bundle of conflicting interests accidentally thrown together by the impersonal forces of the market. Enterprises of similar nature would combine into trade associations with the Volkswirtschaftsvertretung composed of the representatives of the various industries topping the economic hierarchy.

The treatment is obviously too sketchy and leaves much to be desired in the way of clarity as to compatibility of private ownership which the scheme retains with workers' effective participation in management which it advocates. There is also little said about the distribution of jurisdictional competence among the various autonomous bodies. The discussion has the air of unreality characteristic of most studies of this nature; and the author's frequent appeal to the spirit of national solidarity which would infuse life into his structure is a somewhat disguised attempt to gloss over difficulties inherent in grafting the principle of social control upon a system of private enterprise. The author leaves the reader doubtful as to the workability of his *sozialorganische Privatwirtschaft* and still more doubtful as to whether his scheme will represent the next stage in economic development as the author firmly believes.

NATHAN REICH

Economic History and Geography

The Populist Revolt: A History of the Farmers' Alliance and the People's Party. By JOHN D. HICKS. (Minneapolis: Univ. of Minnesota Press. 1931. Pp. xiii, 473. \$4.00.)

Professor Hicks here presents the first general, authoritative account of the agrarian movement which swept across the Middle Border and through the South during the eighties and nineties. The time has elapsed for the acquisition of the necessary historical perspective; while the way has been prepared for a comprehensive treatment of Populism, both in its economic and in its political aspects, by the publication during the past decade of much valuable monographic material. The author's own researches in the field and his complete mastery of the work of other scholars have given him a thorough understanding of the widespread and complex forces which underlay the revolt. Moreover, in addition to knowledge, Professor Hicks has sympathy, tolerance and good humor.

The Populist movement was essentially an uprising against the processes of the capitalistic system. The story Professor Hicks tells, with an abundance of illustration and analysis, is a depressing one. Following an era of expansion which involved a large and rapid movement of population and of eastern capital to certain sections of the West and South, a

period of overproduction and falling prices ensued. Facile optimism yielded to gloom and then to anger as the farmer contemplated his dire status. Caught securely in the toils of an economic organization which discriminated against him at every turn, the farmer became class conscious. The author concisely depicts the exploitation of the railroads, the trusts, the middlemen, the money-lenders, and the bankers, which was rapidly submerging agrarianism and causing the farmer to organize politically in his own defense.

The agency was at hand in the various agricultural organizations in the West and South, particularly the Northern Alliance and the Southern Alliance, both of which were well organized by the late eighties and engaged in certain social and quasi-economic activities.

No new party is ever born without a philosophy, and from the heated debates of the Farmers' Alliance there developed a comprehensive program. The basic demands are familiar, but the author justifiably treats fully the little known subtreasury plan. This project, based on a system of commodity credit rather than specie credit, involved a government subsidy for agriculture. But a philosophy or program avails little without organization and voting strength, and the threat to use them. The usual difficulties in organizing a third party were accentuated by the differences between the two sectional alliances and by the political situation in the South.

The author weaves into a carefully documented whole the story of successive national conventions, 1889-1891, from which emerged the People's Party, "a party of principle" (p. 237). Its platform was a startling bill of particulars against the existing economic and political order, with a specific program intended to relieve the producer. Its histrionic leaders, whom Professor Hicks treats in a vivid and friendly fashion, were picturesque and perhaps distinctive but lacked the intellectual leadership to combat successfully the prejudice and contempt of the East.

The success of the party in 1890 was, however, an ominous warning to the old organizations. Its creed included finance relief, government ownership of railroads, and land reform; but the chief response came from the free silver demand although that issue had been distinctly secondary in the general Populist program. After 1894 there was a steady drift toward silver as the chief issue with the obfuscation of the subtreasury plan. The dreams of the Populist leaders for success in 1896 were rudely shattered when the Democratic party adopted the free silver plank and certain other Populist demands. The advocates of fusion triumphed. Professor Hicks indicates that in 28 states there was a fusion of Democratic and Populist electors and of state and congressional tickets. But the Populists were everywhere at a tactical disadvantage, and their

acceptance of the free silver program and of Bryan completed their ruin.

By 1898 dissension in the ranks, the return of prosperity, and the increase in the world's gold supply, combined to undermine the Populist party, which died a lingering death as a separate political entity a decade later.

It seems to the reviewer very unfortunate that the proposals for government relief for agriculture were abandoned and other questions slighted to concentrate upon the weaker issue of free silver. Principles were sacrificed for victory, but victory was not won.

The author, in his concluding chapter, makes out a good case for the persistence of populist beliefs and for the partial triumph of most of their reforms. In its more significant aspects, however, the Populist revolt was unsuccessful. The agrarian interest, a minority property interest, was unable so to refashion the economic order and the political state as to achieve its objective, the equality of agriculture with industry. With the failure of their great political effort the deflation of agriculture has steadily proceeded; an agrarian economy has yielded to a capitalistic economy.

THOMAS S. BARCLAY

Stanford University

Laboring and Dependent Classes in Colonial America, 1607-1783. By MARCUS W. JERNEGAN. (Chicago: Univ. of Chicago Press. 1931. Pp. xiii, 256. \$3.00.)

While relations with England, political and commercial, were of the utmost importance to colonial America, and while the frontiersmen and pioneers seem, at this distance, interesting and picturesque, it should not be forgotten that the seaboard colonies had internal lives of their own which presented many of the problems of older communities.

Professor Jernegan has left the beaten track of colonial history and with patience and insight has looked at certain aspects of life hitherto neglected. He has assembled in this monograph three groups of essays. The first deals with the religious and industrial training of the negro and the character and pursuits of indentured servants; the second with public education, and the third with public poor relief. The study is confined to Virginia, as representative of the South, and to the New England colonies. This leaves out the middle colonies, but Mr. Jernegan is satisfied that these would not add to nor modify the picture. It leaves out too the free journeymen, mechanics and artisans; and this is a pity, for neither economists nor historians have gone back of the Revolution to study this class.

The most original of these essays are those which deal with public

education. The author emphasizes the importance of compulsory public education quite outside the schools and shows that, through indentures and apprenticeship, compulsory education was enforced far beyond the capacity of the few public schools in the North. Our public school system has played so large a part in the life of the nation that most writers on the subject have identified public education with public schools. Mr. Jernegan discloses in great detail the fallacy of this identification and the importance of compulsory home instruction in the colonial period.

In 1642 Massachusetts passed the first general act making for free education of all children by parents and masters and attaching penalties to its non-observance. "We have here," says Mr. Jernegan, "one of those cases where an essentially new institution was created. . . ." This law was twice revised and was copied by Connecticut in 1650 and by the New Haven colony in 1655, while in 1660 the New Haven colony went beyond the rest by requiring all boys to be taught to read and write and all girls to be taught to read. By 1671 all the New England territory except Rhode Island was under a compulsory system of education. There was a reaction from 1675 to 1689 because of the Indian wars and the Andros régime and the ground lost was not regained before the Revolution.

In Virginia, Mr. Jernegan finds fewer educated leaders, a weaker religious interest, social stratification, a terrain and economic organization detrimental to the growth of a general system of public instruction. In the South compulsory education was for special classes of dependent children, orphans, children of the poor, illegitimate children and mulattos. But less than a year after the passage of the first educational act in Massachusetts, Virginia enacted a law to compel guardians of orphans to see that these were educated; and in 1748, when the previous laws were codified, an addition was made requiring that all apprenticed children, boys and girls, should be taught to read and write. This was in advance over even the New Haven colony in its interest in girls.

Thus Virginia unlike New England assumed that the state was responsible only for children whose parents could not themselves provide education. And while the Virginia laws were less elaborate than those of New England in the seventeenth century they were equal and in some respects superior, in the eighteenth century.

The last section of the book deals with the adaptation of the English poor laws to colonial conditions. In both Virginia and New England the poor seem to have been reasonably well supported, but in the North great care was taken to exclude from residence those who might become public charges. In one case, however, a New England town, Danvers, Massachusetts, supported a widow in a style quite beyond the imagination of modern social work. In less than six weeks in 1767 widow

Magery was given three gallons, three quarts of rum in addition to other necessities.

NORMAN J. WARE

Wesleyan University

England Today: A Survey of Her Economic Situation. By F. CYRIL JAMES. (London: P. S. King. 1932. Pp. xii, 238. 6s.)

England Muddles Through. By HAROLD E. SCARBOROUGH. (New York: Macmillan. 1932. Pp. vi, 265. \$1.75.)

These books have but one thing in common, they describe phases of modern British civilization; otherwise they are wholly unlike. Mr. Scarborough deals primarily with social and cultural affairs; Dr. James with economic. The one, well known as London correspondent of the *New York Herald Tribune*, addresses an audience which is expected to be chiefly American. Dr. James, we may be fairly sure, is English and writes for his fellow countrymen. Like most Englishmen he says England when he means Great Britain.

Mr. Scarborough does confine himself to England, more particularly to the ways of the English people. He is interested in the English as muddlers, that is as people who display neither the efficiency of the American nor the logic of the French; and he tries to show how, despite the want of these virtues, they live happily and achieve some success. The discussion in which this task involves him has to do with the standards and manners of the different social classes: what they eat and drink, what they read, what they wear, how they treat their wives, how they spend their leisure, how they acquire their wealth and how they dispose of it. On all these topics he writes with good will and humor, and he brings to the consideration of them a fund of knowledge which is sound and stocked with amusing stories. The last chapter treats in the same spirit of Anglo-American relations, and ends with the opinion that "we are really very much like each other—particularly in our inconsistencies."

Mr. Scarborough's is a readable, kindly, informing book, not brilliant or profound, not new in its comment, but sincere and personal enough to earn a place among the half dozen or so competent books of its kind which have been written in the post-war period.

Dr. James has tried a more difficult task and has come much less near success in the performance of it. "I have attempted," he says, "to explain the nature of England's economic life, to show how that economy is related to the larger world organization and to suggest how the health or sickness of both national and world economies influences the daily lives of all of us." In explaining problems he is led to discuss policies, and in discussing policies to declare his own preferences.

For this we should be grateful if the preliminary work of explanation

had been done with care; if Dr. James himself, having spoken of the evils of doubt and misunderstanding, had had regard for clear definition and straightforward writing.

Quoting from La Bruyère on p. 23 he says, "A man is rich whose income is larger than his expenses." This statement is at once transposed into "the standard of living of an individual depends not upon the number of pounds that he receives as income each year but upon the relationship between that income and the amount which he must pay for goods and services that he customarily purchases." Later (pp. 24 and 106) the same thought is intended to be expressed again, but "profits" and "human welfare" take the place of "standard of living." In these cases it is apparent that Dr. James wishes to repeat himself, and that he does not know he is confusing the reader by employing four different terms as equivalents.

Worse still for the reader who expects all human affairs to be discussed with humanity and humor is Dr. James's manner which in its earnestness and condescension recalls the Sunday school. But the reader will not lack amusement when he comes upon such passages as the sad misconstruction of a quotation from Tomlinson (p. 131), and notes how the word "perhaps" can innocently suggest alternatives in the phrase "as boys (or perhaps girls)."

The weak phrase and the uncertain definition are common throughout this book and go far to discredit Dr. James's discussion of the economic problems which faced Great Britain in September, 1931, and his advocacy of such reasonable policies as government control of the flow of new capital in Great Britain.

FREDERICK GEORGE MARCHAM

Cornell University

The Economic History of England. Vols. II and III. *The Age of Mercantilism.* By E. LIPSON. (New York: Macmillan. 1931. Pp. viii, 464; v, 542. \$10.00.)

In 1915 appeared the first volume of Mr. Lipson's *Economic History of England*, which has already gone through five editions. That volume got as far as about 1550; the two succeeding volumes carry the story down to about 1700, though there is no exact date for the conclusion, because the author chose to stop each topic of interest at the most strategic point. In general, however, these two new volumes cover the period from about the beginning of mercantilism to about the beginning of the Industrial and Agricultural Revolutions.

Mr. Lipson, in his treatment of the mercantile system, follows Roscher and Schmoller. Mercantilism was a policy that looked primarily toward the development of national self-sufficiency in agriculture, manufacture, shipping, and so on. It was not based upon a confusion of money with wealth.

The fall of absolute monarchy in 1649 was "the turning point in the evolution of capitalism." After the Revolution of 1688 capitalism was allowed a freer hand. During the dominance of Parliament in the eighteenth century, business men challenged its right to defend labor, even where it might have been so inclined. In spite of the economic result of the Great Rebellion, the author does not emphasize economic aspects when he is explaining the origin of the civic trouble. To him it appears to have been, at the beginning at least, a religious and constitutional struggle. And yet he presents sufficient economic causes of discontent to start a rebellion—the monopolies and the imposts. He also pertinently calls attention to two events of 1640—the seizure of the East India Company's pepper and the seizure of the bullion belonging to the merchants and private bankers. And of course, he might have added, behind it all there was a rising level of prices which made business flourish and caused the government to be hard pressed to meet its expenses. Indeed, Mr. Lipson's scholarly attitude of conservatism is well illustrated at this point: he does not lightly depart from the traditional, and he does not close his eyes to the unorthodox.

The shadow of the statute of apprentices (1563) stretches right across the period covered by these two volumes—and beyond somewhat into the nineteenth century. Mr. Lipson does not believe that the law, providing for the fixing of wages by the justices of the peace, prevented a rise in wages, for he finds that the actual rates were higher than the legal. Moreover, as it turned out, wages were not made to vary with prices. As the author says, "wages were not ground down to a minimum level of subsistence, but the working class laboured only sufficiently to maintain a traditional standard of life."

The fact that Robert Owen had a possible prototype will be of interest to many. This was Ambrose Crowley, ironmaster and general social engineer in the county of Durham. Crowley had two kinds of workers, those in the plant and those working in small shops outside. Discipline was provided for by the activities of the surveyor, who was in charge of industrial processes, and the monitor, who was keeper of the time spent in labor. Paternalism reigned supreme in providing medical care, education, and relief from poverty.

Mr. Lipson begins his two volumes with an analysis and description of manufacturing, which occupy about two-fifths of volume II, the rest being devoted to foreign trade and agriculture. The author is not much inclined to emphasize economic genesis, but he does consider, or rather reconsider, the stages of industrial progress. The first stage that he accepts is household manufacture, the second the gild system, the third the domestic system, and the fourth the factory system. The third system, domestic, is really the commission or putting-out system. The term "gild system" is misused, because gilds do not belong to industrial or-

ganization at all. The other term "handicraft system" is preferable, though it is also not sufficiently discriminating. But the author soon passes to the facts of development which are to him more interesting than the theory.

Taken together, these three volumes, covering the period of the Middle Ages down to the eighteenth century, are the most substantial and scholarly that exist. It is true that many themes are lightly dealt with or omitted, such as taxation, insurance, accounting, and Continental analogy. But the author has chosen his facts with care and has given us innumerable quotations from the printed primary sources. Often, when he is following the lead of a modern monograph, he illuminates the subject by a citation from a source independently discovered and selected. No student of history, economics, or economic history should be without these three volumes; and of course, no library should fail to provide them for its clients.

N. S. B. GRAS

Harvard University

NEW BOOKS

- BECKERATH, E. VON, and others. *The present economic state of Germany*. Internat. conciliation no. 279. (New York: Carnegie Endowment for Internat. Peace. 1932. Pp. 48. 5c.)
- BLAIR, W. A. *A raft pilot's log: a history of the great rafting industry on the Upper Mississippi, 1840-1915*. (Glendale, Calif.: Arthur H. Clark Co. \$6.)
- CAMPBELL, T. D. *Russia: market or menace?* (New York: Longmans Green. 1932. Pp. 148.)
- CHI, L. *Manchuria in history: a summary*. (Peiping: Peking Union Bookstore. 1932. Pp. 48.)
- CHISHOLM, G. G. *Handbook of commercial geography*. 12th ed., rev. by L. D. STAMP. (New York: Longmans Green. 1932. Pp. 840. \$6.)
- CLARK, G. *Economic rivalries in China*. (New Haven: Yale Univ. Press for the Carnegie Endowment for Internat. Peace. 1932. Pp. 132. \$2.)
- COUNTS, G. S., and others. *Bolshevism, fascism and capitalism: an account of the three economic systems*. Inst. of Politics pub. (New Haven: Yale Univ. 1932. Pp. 274. \$2.50.)
- D'AMIA, A. *Schiavitù romana e schiavitù medievale*. Part 1. *Stato e chiesa per l'attenuazione della schiavitù*. Part 2. *La servitù medievale secondo i documenti pisani*. Part 3. *Documenti pisani dal 1112 al 1608*. (Milan: Hoepli. 1931. Pp. xxiv, 809. L.40.)
- DE NOVELLIS, L. *L'unificazione economica dell'Europa*. (Milan: Frat. Treves. 1931. Pp. 304. L.20.)
- ELLIOTT, W. Y. *The new British Empire*. (New York: McGraw-Hill. 1932. Pp. xv, 519. \$5.)

Though much of this book is devoted to a discussion of economic conditions and tendencies in various parts of the British Empire, the economic material is introduced chiefly because of its bearing upon the constitutional and political questions with which the author is primarily concerned. This,

however, does not detract from the interest and value of the book to the economist. On the contrary, he is likely to discover a new significance in the economic phenomena with which he is already familiar, when these phenomena are presented in their relationship to the political destiny of the peoples among whom they appear. This is especially true when the work of coördinating the economic and political factors is as well done as it is here.

The book may be regarded as an attempt to answer the question, "Will the Empire hold together?" The economic conditions are summarized by the author as follows: "In the economic sphere this survival rests on England as the financial center of the world through banking, insurance and the directing brains of large-scale industrial organizations; as the greatest consumer of the raw materials of all British dominions and dependencies; and finally on the ability of its export trade, its manufacturing, shipping and its marketing agencies to hold their own in world exchange, supplying articles of as good quality, and to suit the market, more cheaply than competitors; or alternatively developing a competitive superiority in quality markets, turning from staple trades to specialization." In contrast to M. André Siegfried and other writers who take a less hopeful view of the future, Professor Elliott believes the resources of the Empire are so enormous that, given peace and the organizing ability never lacking in the past, "England can win through." He thinks, however, that efforts to draw the Empire into a new economic unity through tariff protection will stiffen and render fatal the economic warfare of national systems.

The book is a collection of lectures, originally delivered at the Lowell Institute during the winter of 1931. Two-fifths of the space is taken up by appendices containing some of the most important public documents. The work shows indications of haste, especially in the matter of typographical errors of which there are an extraordinary number. One may also venture the criticism that Professor Elliott lays too much weight on the outcome of this imperial experiment. It is conceivable that the Empire might dissolve into independent nations without bringing upon the world either of those two calamities which the author contemplates—the intensification of beligerent nationalism and the triumph of revolutionary communism.

RALPH E. FREEMAN

Ely, R. T. *Hard times: the way in and the way out, with a special consideration of the "seen and the unseen."* (New York: Macmillan. 1931. Pp. x, 193. \$1.75.)

As indicated by the title of this book, the author endeavors to explain the forces which brought about the present hard times, and to point out the policies which should be adopted to cure the business depression.

According to Professor Ely's analysis the forces which brought about our hard times consist of: (1) great expectation of profits resulting in excessive optimism and foolish speculation; (2) overexpansion of industries; (3) disproportion of production in the different industries; (4) excessive increase in taxation and unequal taxation; (5) land speculation and misuse; and, (6) war. These, according to the author's view, are the underlying forces which bring about all depressions. Banking and monetary problems are not primary causes. However, the excessive use of credit facilitates a boom movement which terminates in depression.

The author believes that the lack of adjustment in our price system is

one of the fundamental causes of the occurrence of depression. He states that prices should be lowered as cost of production is decreased, whereas in 1922 to 1929 prices were not lowered as cost of production was decreased. He makes no suggestions as to how to bring about an adjustment of prices to the cost of production or the volume of production.

His suggestions as to the way out of the depression are as follows: (1) there should be further integration, pooling, and rationalization of industries in order to overcome excessive competition; (2) he condemns the spending orgy as a remedy for the depression; (3) he does not believe that hard times can be cured by passing new banking laws and new credit acts, as hard times are more fundamental than money and credit problems; (4) we should have more efficient operation in business enterprises and a broader spirit of public service on the part of business men; (5) there should be more harmony between political and economic life; and, (6) an extensive program of public works should be undertaken by the government to cure unemployment.

The author advocates the organization of a peace-time army to be used in carrying forth projects of public improvement during hard times. The army is to consist of the unemployed and is to be paid for by the government through the issuance of 25-year bonds.

The book appears to overemphasize the importance of land economics as a factor in the present business depression. However, most students recognize the fact that overdevelopment of agriculture and excessive speculation in urban real estate were important forces in producing the present depression. This book lacks the clarity of presentation and vigor of expression which are characteristic of Professor Ely's earlier books.

ARTHUR B. ADAMS

FAULKNER, H. U. *American economic history*. Rev. ed. (New York: Harper. 1931. Pp. xv, 795. \$3.50.)

This well known, general treatise has been extensively and thoroughly revised, with substantial additions to the text, to the notes, and to the maps and graphs. There are in all 72 new pages of text, divided almost equally between the portions prior to and subsequent to 1914. The extensive addition to the discussion of post-war problems has resulted in the division of the concluding chapter of the first edition into two chapters. Some earlier chapters have been given new titles, and the sequence of chapters has been altered in two of the main divisions of the book.

The additions to the text are largely based on new literature, though some additions in the early chapters are merely an expansion of the expository of descriptive material of the earlier edition. There seem to be no notable changes in interpretation, though there has been a substantial addition to the graphic presentation of statistical material and appropriate additions to text comment. The text reflects faithfully the main features of the primary special literature and basic sources. The vast mass of census material has been more effectively used and interpreted than it is in other treatises of this character, but it is to be regretted that there is no recognition of the significance of the different properties of arithmetic and semi-logarithmic modes of graphic presentation. The development of statistical technique should be of great value in the interpretation of historical movement. Professor Faulkner cannot fairly be criticized for his failure to use these newer methods, but positive leadership in this direction would have

contributed notably to the introduction of these modes of interpretation. In the end these new devices must needs become an established part of our historical technique.

ABBOTT PAYSON USHER

- GRAYSON, T. J. *Leaders and periods of American finance*. (New York: Wiley. London: Chapman & Hall. 1932. Pp. xiii, 566. \$4.)
- GREY, E. *Speeches on foreign affairs, 1904-1914*. (Cambridge: Harvard Univ. Press. 1932. Pp. 327.)
- HACKER, L. M. and KENDRICK, B. B. *The United States since 1865*. (New York: Crofts. 1932. Pp. xx, 775. \$3.75.)

The political and economic events of the period since the Civil War are set forth in considerable detail. The social and cultural results are briefly stated in separate chapters; but throughout the book we are provided with facts and generalizations for weighing the course of changing circumstances—from the point of view of the common man and of the scholar. The debtor class using the political means is somewhat better understood by the authors than the creditor class relying chiefly upon the economic means.

Money and banking are not handled in a way commensurate with the importance of the subject, and chapter does not always follow chapter in a convincing sequence. But the book is eminently readable, partly because it has a theme—the results of middle-class dominance have been unfortunate. The judgments are trenchant, the insight keen, the analysis penetrating. Both the general reader and the college student will be stimulated by this work. The classified bibliography (pp. 737-762) will also be widely appreciated.

N. S. B. GRAS

- HAFEN, L. R. *The overland mail, 1849-1869, promoter of settlement, precursor of railroads*. (Glendale, Calif.: Arthur H. Clark Co. 1932. \$6.)
- HART, A. B. and SCHUYLER, W. M., editors. *The American year book: a record of events and progress for the year 1931*. (New York: N. Y. Times Co. 1932. Pp. 937. \$7.50.)
- HARTHOORN, M. A. G. *De huidige crisis*. (Batavia: Kolff. 1932. Pp. 45.)
- HAUSER, H., editor. *La vie chère au XV^e siècle: la réponse de Jean Bodin à M. de Malestroit (1568)*. New ed. (Paris: Armand Colin. 1932. Pp. lxxx, 134. 25 fr.)
- HEINECKE, G. E. *No more reparations*. (New York: Europress Co. 1932. Pp. 80. \$1.)
- KINGSBURY, S. M. and FAIRCHILD, M. *Employment and unemployment in pre-war and soviet Russia*. Report submitted to the World Social Economic Congress, Amsterdam, August 23-29, 1931. (The Hague: International Industrial Relations Assoc. Pp. 132.)

This report was prepared as one of a series of studies of several countries in connection with the World Social Economic Congress held at Amsterdam, Holland, in 1931, under the auspices of the International Industrial Relations Association. The main theme of the Congress, Social Economic Planning, or the Necessity for Planned Adjustment of Productive Capacity and Standards of Living, grew out of the disorganization incident to the world-wide economic crisis. The object of this report was to indicate changes in employment and unemployment in a country entering upon industrialization under a system of economic planning.

Although nominally limited to employment and unemployment in pre-war and post-war Russia, the report also contains statistical material on population, production, productivity of the worker, wages, and standards of living. The material is largely statistical, drawn from Russian sources, and is accompanied by a running commentary and comparison of significant items. The material on standards of living is least adequate or satisfactory, but, aside from the inherent difficulty of the subject, the evidence seems to show that standards are certainly not worse than before the war and are steadily improving. The statistics indicate clearly the pronounced rate of growth in production since the institution of the planned economy, and the uniform increase in employment, productivity and wages. The report represents an excellent collection and analysis of material for those who cannot turn to the original Russian sources. An appendix includes an interesting discussion of the sources of the statistics and their reliability.

C. W. HASEK

- KIRKLAND, E. C. *A history of American economic life*. (New York: Crofts. 1932. Pp. xv, 767. \$3.75.)
- KNOWLES, L. C. A. *Economic development in the nineteenth century: France, Germany, Russia and the United States*. (London: Routledge. 1932. Pp. viii, 368. 12s. 6d.)
- KOZELKA, R. L. *Business fluctuations in the Northwest*. (Minneapolis: Univ. of Minnesota Press. 1932. Pp. 29. 50c.)
- LASKER, B. and HOLLAND, W. L., editors. *Problems of the Pacific, 1931*. Proceedings of the fourth conference of the Institute of Pacific Relations, Hangchow and Shanghai, China, October 21-November 2. (Chicago: Univ. of Chicago Press. 1932. Pp. xi, 548. \$5.)
- MILANO, A. *Ricerche sulle condizioni degli ebrei a Roma durante la chiusura del ghetto, 1555-1848*. (Città di Castello: Unione Arti Grafiche. 1931. Pp. 95.)
- PALENZONA, A. *La repubblica del Venezuela sotto l'aspetto economico e le sue relazioni con l'Italia*. (Milan: M. Borroni. 1931. Pp. ix, 237.)
- QUESADA, E. *Die Wirtschaftsbeziehungen zwischen Latein-Amerika und den Vereinigten Staaten*. Weltwirtschaftliche Vorträge und Abhandlungen, vol. x. (Leipzig: Deutsche Wissenschaftliche Buchhandlung. 1931. Pp. 86.)

This short treatise by a distinguished Argentinian scholar presents the reaction of a Latin-American to the economic problems and policies of the two Americas. The author begins his discussion with a brief comparative account of early Spanish and English colonial experiences in the new world. With this as his setting he proceeds to discuss in general the more complex economic relationships existing between North and South America, with occasional detailed references to his native country, the Argentine Republic. Short sections are devoted to Pan-Americanism, the tariff and an attempt to predict the economic future of the South American republics.

Quesada directs a number of pointed remarks at the commercial policy of the United States, especially in his treatment of the tariff. He apparently sees nothing but disaster resulting from the large investments—on terms not always favorable to the debtor nations—of American capital in the South and Central American countries; he expresses grave fears of the strong arm of a military machine kept in readiness to support a creditor against a defaulting or reluctant debtor nation. Quesada's analysis of the

statistics of Latin-American trade lead him to the conclusion that in the future our sister republics must seek their economic ties across the Atlantic, not in the new world. Whether the author is justified in this conclusion remains to be seen. Much depends upon the trend of the commercial policy of the United States in years to come. Not infrequently in his interpretation of these problems Quesada gives the impression of being politic rather than logical. Significant of his viewpoint and the proud tradition of his race is the fact that he consistently avoids the use of the term *American* to designate the *estadunidense*; instead he accepts the word *Usamerican*, coined by a German scholar, Professor Ernst Schultze.

FELIX FLÜGEL

RENATUS, K. *The twelfth hour of capitalism*. Translated from the German by E. W. DICKES. (New York: Knopf. 1932. Pp. 246. \$2.50.)

"If one pours into the bowl of a separator a quantity of milk and sets the separator in rotation, no change whatever is produced in the total quantity of the contents of the bowl. Total weight, total volume of the fatty and defatted portions together remain absolutely the same, so long as nothing is splashed over the top. Yet something quite different is made of the milk: it is divided into full cream and skim milk. The public debt service is nothing but a rotation of the national income. The total amount of the national income remains unaltered, but the private incomes are divided into full cream and skim milk. The full-cream incomes collect around the rim; out of income there has come, simply through the rotation, newly produced capital, which demands investment and ultimately goes out of the country. The milk that remains grows thinner and thinner the longer the rotation continues, losing more and more of its content—its purchasing power."

This quotation illustrates the lucidity and raciness of the writing and summarizes the thesis of the book. The public debt service is regarded as the chief cause of the world economic depression. Of the billions that were paid out for interest and amortization during the years previous to 1929 a larger portion was saved than would have been saved if the funds had been left in the possession of private persons. The weight of taxes reduced the buying power of consumers and compelled producers to "rationalize" in order to avoid losses. "Rationalization," stimulated by extraordinary savings, increased the productive capacity of industry and destroyed the balance of production and consumption. The present crisis is, therefore, a crisis of capital deflation. The economic system, burdened with charges on a debt for which there is no corresponding productive capital, tries, by virtue of its "mechanism of self preservation," to bring the total amount of capital on which it has to earn interest into consonance with the yield of production.

Renatus has called attention to an important cause of economic dislocation. It seems reasonable to expect that, when vast wealth is taken from the general fund and concentrated in the hands of the relatively few holders of war bonds, much of the wealth will be misdirected and used to expand the output of certain industries disproportionately to that of industry as a whole. This raises an interesting question as to the wisdom of the debt amortization policy pursued by the United States during the five years prior to 1930. One may, however, object that, as an explanation of the depression, the theory is one-sided and incomplete. It

seems a pity that the author felt it necessary to dispose in summary fashion of all rival explanations. Even the burden of public debt, which he regards as the one fundamental cause of our miseries, is not exhaustively treated. The mechanism by means of which taxes and debt charges are related to the condition of specific industries is not described. It might be difficult, for instance, to demonstrate the connection between public debt and the overproduction of wheat, cotton, sugar and many other crude foodstuffs and raw materials. He gives no figures to prove that post-war accumulations of capital were abnormal.

RALPH E. FREEMAN

SAPORI, A. *Una compagnia di Calimala ai primi del trecento*. (Firenze: Leo S. Oschki. 1932. Pp. 420. L.60.)

SIPPLE, C. E. *British foreign policy since the World War*. Stud. in the soc. sci., vol. x, no. 1. (Iowa City: Univ. of Iowa. 1932. Pp. 157.)

SOLMI, A. *L'amministrazione finanziaria del regno italico nell'Alto Medio Evo*. Biblioteca della Società Pavese di Storia Patria, no. 2. (Pavia: Tip. Coöperativa. 1932. Pp. xvi, 287. L.20.)

The book is a minute description of the financial and economic organization of the Kingdom of Italy at the end of the tenth century, based on a very important document entitled *Instituta Regalia et Ministeria Camere Regum Longobardorum Seu Honorantie Civitatis Papie* (written in the first years of the eleventh century). On the basis of this and other materials, Professor Solmi gives an interesting sketch of the financial organization of medieval Italy, on customs régime and commercial movement, on gold production and the mint system, on the crafts and guilds, and on the system of fees and excises.

RICCARDO BACHI

THOMPSON, W. *Greater America: an interpretation of Latin America in relation to Anglo-Saxon America*. (New York: Dutton. 1932. Pp. 275. \$3.)

This is not a business manual, a textbook, or one of the travel books on Latin America which have appeared in such great numbers.

Instead of choosing one of these points of approach the author discusses actual developments in the republics southward which are transforming their economic and social life and bringing them into closer contact with the outside world. He speaks from long residence in Latin America, supplemented by an editorial experience which has given him unusual insight into current advance. He writes as an enthusiast, indeed not infrequently many of those who know Latin America will feel that his optimism and brilliant style give his discussions, in spite of the qualifications they carry, a rosiness of outlook which pictures promise rather than performance. But conditions in the southern continent are changing so rapidly that prophecy frequently becomes fact with unexpected promptness.

The opening chapters review the areas composing Latin America, their populations, and the immigrant tide which was rapidly modifying the ethnic character of some in the period preceding the World War. An analysis of the effect upon them of better communications and machine production follows. This is the most valuable portion of the book. New shipping lines, modern port works, railways opening the interior, airways reaching formerly inaccessible areas, improved mail services, better tele-

phone and radio systems have stimulated economic, intellectual and cultural contacts. As a result there is developing among American republics the Greater America which through unity of interest rather than political integration Mr. Thompson visualizes for the future.

With the advance of the machine age, the author believes, the opening of the mining resources will be continued and agricultural exploitation increased by the elimination of the difficulties heretofore encountered through lack of an adequate labor supply. Further, especially with the development of water power and petroleum, the Latin American countries are to create a wide range of manufactures which will make them less dependent on foreign trade, raise the standard of life within them and build up nationalities of greater stability.

Coöperation with financial interests and coöperation with governments, especially the United States and Canada, in advantageous trade agreements will increase the rapidity of economic development. The distress now prevalent in public finance and in private enterprise is temporary and will vanish as normal conditions reestablish themselves in the world at large.

Progress in political and social organization is not yet commensurate with that in economic lines, but some of the Latin American states are already making progress toward real democratic government; and all, Mr. Thompson believes, are destined to develop institutions of the western European type, largely through the example of the United States.

This is a volume which does not attempt detailed analyses. Its generalizations are frequently subject to reservations; but it has the virtue of seeing the forest rather than the trees, and its wholesome optimism stands in strong contrast to much of the current discussion of Latin American affairs.

CHESTER LLOYD JONES

WARE, E. E. *Business and politics in the Far East*. (New Haven: Yale Univ. Press for the Carnegie Endowment for International Peace. 1932. Pp. x, 250. \$3.)

WEBB, W. P. *The great plains*. (Boston: Ginn. 1931. Pp. 525.)

WENDELIN, E. C. *Subject index to the economic and financial documents of the League of Nations, 1927-1930*. (Boston: World Peace Foundation. 1932. Pp. ix, 190. \$1.50.)

This is a serviceable index with ample cross-references. It includes 8,500 items. On "gold" alone there are approximately 100 references.

WHITAKER, A. P., editor and translator. *Documents relating to the commercial policy of Spain in the Floridas, with incidental reference to Louisiana*. (De Land: Florida State Historical Soc. 1931. Pp. lxii, 277.)

WILLOUGHBY, C. A. *The economic and military participation of the United States in the World War*. (Fort Leavenworth, Kansas: Command and General Staff School Press. 1931. Pp. xi, 234.)

Il Cile: sviluppo economico e relazioni commerciali con l'Italia. (Rome: Soc. Tip. Castaldi. 1931. Pp. 178.)

L'economia della provincia di Padova: annuario statistico per il 1931. (Padova: Cedam. 1931. Pp. xvi, 740. L.90.)

Indiana: statistical report for the State of Indiana for the year ending September 30, 1931. (Indianapolis: State House. 1932. Pp. 236.)

Indiana: year book of the State of Indiana for the year 1931. (Indianapolis: State House. 1932. Pp. vi, 1263.)

Memorandum no. 5. (Birmingham, England: Birmingham Bureau of Research on Russian Economic Conditions. 1932. Pp. 24.)

Contains chapters on "Remarks on the five-year plan"; "Agricultural collectivization"; and "Oil consumption and export."

Peru: statistical abstract of Peru, 1929-1930. (Lima: Dept. of Treasury and Commerce. 1931. Pp. xxi, 296. Gratis.)

A picture of world economic conditions at the beginning of 1932. (New York: National Industrial Conference Board. 1932. Pp. xvi, 287. \$3.)

Quebec: statistical year book of Quebec, 1931. 18th year. (Quebec: H. M. Stationery Office. 1931. Pp. xxv, 487.)

Statistisches Jahrbuch deutscher Städte. Amtliche Veröffentlichung des deutschen Städtetages, Jhg. 27, Lief. 2. (Jena: Fischer. 1932. RM. 30.)

Agriculture, Mining, Forestry, and Fisheries

NEW BOOKS

ACERBO, G. *Le riforme agrarie del dopoguerra in Europa.* (Firenze: Bemporadi. 1931. Pp. 140.)

ADAMS, L. P. *Agricultural depression and farm relief in England, 1813-1852.* (London: P. S. King. 1932. Pp. xiv, 191. 7s. 6d.)

In analyzing the present depressed state of American agriculture and its antecedents, one is impressed by the many similarities which existed between this depression and that which affected the English agricultural classes following the Napoleonic Wars. Originally Mr. Adams intended to undertake a comparative analysis of these two agricultural depressions. This, however, was abandoned in favor of a detailed study of English agriculture from 1813 to 1852.

Mr. Adams introduces his study with a chapter devoted to English agriculture during the Napoleonic Wars. Following this, there is a more intensive treatment of the Corn law of 1815. Considerable attention is devoted to the period of distress covering the years from 1817 to 1846. The author believes that the factor chiefly responsible for this agricultural depression was primarily the falling prices of farm products brought about by several most abundant harvests, the inability of the industrial and commercial classes to consume farm products in any large quantity, and the return to specie payments by the Bank of England. Another factor of importance was to be found in the "failure of expenses such as wages, tithes, poor rates and national taxes to come down in proportion to the fall of the prices of farm products." In attempting to alleviate conditions Mr. Adams points out that the English government undertook to protect the agriculturalist through the maintenance of a high if not prohibitive tariff on foreign corn. The passage of the Poor law in 1834 and the Tithes Commutation act of 1836 were other relief measures.

In arriving at these various conclusions the author of this very suggestive book has leaned heavily on well known printed sources. *Hansard*, *Parliamentary Papers*, the *Farmer's Magazine*, and one or two other primary sources appear to have been used with considerable profit. Tooke, Porter, and Smart have been used to a great degree. No manuscript material seems to have been examined. In the main, the author presents a convenient and fairly reliable narrative.

For a more detailed and penetrating study, one of course should turn to Dr. D. G. Barnes's *History of the English Corn Laws*, which probably

appeared too recently for Dr. Adams to utilize. The editing is satisfactory. The index is fair. There is no bibliography except as found in the foot notes.

W. F. GALPIN

ARNOLD, R. and KEMNITZER, W. J. *Petroleum in the United States and possessions*. (New York: Harper. 1931. Pp. xxi, 1052. \$12.50.)

The senior author of this volume, Mr. Ralph Arnold, well known in the field of petroleum geology and engineering, while the chief of the Oil and Gas Section of the Income and Excess Profits Tax Board of the Internal Revenue Bureau in 1918 "found the data of petroleum quite disorderly and infertile with consequent misconceptions of facts." He thereupon resolved "upon the necessity of some orderly presentation and significant interpretation of the salient data of petroleum." For almost a decade he worked independently as time permitted. In 1927 he associated himself with Mr. William J. Kemnitzer, economic geologist. Since March of that year the authors have maintained an uninterrupted program of intensive research. As their study progressed, its scope broadened. Their present program comprehends the publication of four books: (1) *The Principles of the Geology, Technology, and Economics of Petroleum*; (2) *Petroleum in the United States and Possessions*; (3) *Petroleum outside the United States and Possessions*; (4) *Economics of the Petroleum Industry*. Although the four books constitute a series of correlated studies, "each book is a separate entity so that the order of appearance or reading is of little concern."

The second study is the first of the four volumes to appear. The presentation and analysis of material in this volume are said to be arranged along the lines of classification of data as outlined in the first volume, now under preparation. The present study follows a well organized and orderly plan. It involves an historical sketch of petroleum production in the United States as a whole, a review of the geology of the United States, a technological and statistical review, an economic analysis and a forecast of the future. Each of the petroleum-producing areas within the United States and its possessions is then subjected to a similar review, as are also present non-productive areas. The economic sections of the study include *inter alia* the presentation of statistical data on the prices of petroleum by fields and years from the birth of the industry until 1929, estimates with regard to the investment in petroleum production, and calculations of the average annual rate of return on total investments and on investments by fields. Forecasts are also made of probable future production by fields and for the country as a whole.

The resources of natural crude oil in the United States on January 1, 1929, are estimated to have been a little more than 50 per cent developed and less than 30 per cent exhausted. The authors estimate that at the rate wells were then being drilled "average full development would be reached in 30 years, at the end of which time would begin a long period of post-development production lasting 113 years to practical exhaustion." The precise basis of these estimates is not presented. They obviously either involve a good deal of guessing or are based on doubtful assumptions. The same may be said of the estimates with regard to investment and rate of return. These latter are probably more accurate, dealing as they do with past facts rather than future possibilities. It should be observed, more-

over, that probably no existing calculations and estimates have been based on a more painstaking study or a more comprehensive mass of data. The authors contribute little in this volume in the way of economic analysis of the price-making factors in the petroleum industry and do not touch upon problems of control and stabilization. These problems are, perhaps, outside the scope of the present study, and no doubt the volume on the *Economics of the Petroleum Industry* will make good this deficiency.

In addition to its approximately 1,000 pages of text, the present volume includes 91 tables and 37 figures and a list of selected and classified references running into the hundreds of titles. No one seriously concerned with the facts of petroleum production in the United States can afford to neglect this volume.

GEORGE WARD STOCKING

BASSI, E. *Granicoltura arida nel mezzogiorno continentale*. (Piacenza: Fed. Italiana dei Consorzi Agrari. Pp. xiii, 156. L.10.)

BLANDINI, E. *Inciesta sulla piccola proprietà coltitrice formatasi nel dopoguerra*. II. Calabria. (Rome: Frat. Treves. 1931. Pp. 71.)

CARVER, T. N. *Principles of rural economics*. New ed. (Boston: Ginn. 1932. Pp. xxiv, 401.)

DUDDY, E. A., editor. *Economic policy for American agriculture*. (Chicago: Univ. of Chicago Press. 1932. Pp. xi, 150. \$2.50.)

Contains papers presented at the conference on economic policy for American agriculture held at the University of Chicago, September 7-9, 1931.

EISENHOWER, M. S. and CHEW, A. P., editors. *Yearbook of agriculture, 1932*. (Washington: Supt. Docs. 1932. Pp. 979. \$1.)

FORDHAM, M. *Britain's trade and agriculture*. (London: Allen and Unwin. Pp. 224. 7s. 6d.)

FRANCIOSA, L. *Rapporti fra proprietà, impresa e mano d'opera dell'agricoltura italiana*. VIII. Basilicata. XI. Marche. (Rome: Frat. Treves. 1930; 1931. Pp. 98; 82. L.15 each.)

GESTETNER, L. and HAUSER, E. *Die Ursachen der österreichischen Agrarkrise und deren Behebung*. (Vienna: Gerold. 1931. Pp. 102.)

KLAUDER, G. and SCHONBERG, M., editors. *Beiträge zur landwirtschaftlichen Betriebswissenschaft*. Eine Widmungsbage zum 60. Geburtstage des Herrn Dr. Friedrich Falke. (Dresden: T. Steinkopff. 1931.)

LONGOBARDI, C. *Pax cereris*. Extract from *L'Egypte Contemporaine, Rev. de la Soc. Royale d'Econ. Pol., de Stat. et de Légis.*, vol. xxiii.. (Le Caire: Schindler. 1932. Pp. 34.)

A study on the organization and working of the International Institute of Agriculture in the light of the experience accumulated during its first 25 years of life.

MACGIBBON, D. A. *The Canadian grain trade*. (Toronto: Macmillan. 1932. Pp. xiv, 503.)

MESSER, M. *The agricultural depression of 1931: its nature and incidence*. (Oxford: Clarendon Press. 1932. Pp. 32.)

OSBORN, C. *Oil economics: the application of economic facts and principles to the problems of management and investment in the petroleum industry*. (New York: McGraw-Hill. 1932. Pp. x, 402. \$4.)

OSTROLENK, B. *The surplus farmer*. (New York: Harper. 1932. Pp. xvii, 135. \$1.50.)

Dr. Ostrolenk's thesis is that agricultural production has run so far ahead of demand, both domestic and foreign, that the only solution is to eliminate from 15 to 20 per cent of the farmers by shifting them to urban occupations and to remove sufficient land from cultivation so that production will be reduced to a volume that can be absorbed at prices profitable to those farmers who remain in the industry.

The argument is logically presented and adequately supported by factual data. The book is clearly written and is well organized. Its greatest fault is that it implies that the present agricultural situation is the result solely of failure to adjust production promptly to demand conditions and that farmers themselves are largely responsible for the unhappy situation in which they find themselves. No mention is made of credit conditions in agriculture, farm taxation, tariff policies, the labor situation, nor the drastic decline in agricultural prices, and other factors that cannot be ignored in a well rounded discussion of the agricultural situation. All of these have contributed to agricultural distress and none of them have been due primarily to the factors discussed by Dr. Ostrolenk. Because it deals with only one aspect of the farm problem the book fails to meet the announced objective of the series of which this volume is the first, namely to acquaint readers with the "essential features and issues of problems of economic policy."

A. G. BLACK

PUGLIESE, M. *La politica finanziaria ed edilizia del comune e del land di Vienna*. (Pavia: Tip. Coöp. 1931. Pp. 84.)

SEULESCO, G. *Coöperatives et ententes agricoles pour la vente du blé*. (Paris: Duchemin, Cauny et Quinsac. 1931. Pp. 190.)

STAMP, L. D. *An agricultural atlas of Ireland*. (London: G. Gill. 1931. Pp. 60.)

TIBAL, A., editor. *La crise des états agricoles européens et l'action internationale (janvier 1930-mai 1931): documents recueillis et commentés*. (Paris: Conciliation Internat. 1931. Pp. 366.)

The agricultural crisis. Vol. II. (Geneva: League of Nations. Boston: World Peace Foundation. 1931. Pp. 113.)

The agricultural outlook for 1932. U. S. Dept. of Agric. misc. pub. no. 144. (Washington: Supt. Docs. 1932. Pp. 110. 10c.)

The agricultural situation in 1930-1931. (Rome: Internat. Inst. of Agric. 1932. Pp. viii, 426.)

This volume, which serves as an economic commentary on *The International Yearbook of Agricultural Statistics for 1930-31*, follows a plan very similar to the volume published last year. It is, however, more complete in regard to both the number of countries and of products dealt with. Because of the numerous international conferences on agricultural problems, a special chapter on these international meetings has been added.

The year was marked by a great increase in international discussions of the most pressing agricultural problems. This action took three principal forms: (1) agreements negotiated between groups of countries aimed at eliminating obstacles to trade in agricultural products between the countries in question, or else at establishing a common front on the part of countries whose interests with regard to foreign markets are more or less identical; (2) international conferences or meetings with representatives, if not of the whole world, at least of a large number of countries

having divergent interests; (3) purely practical initiatives taken by common accord by the governments of several countries to bring the market in certain products under control.

The principal international actions taken were: (1) agreements between Eastern European countries; (2) activities of the League of Nations and of the Commission of Enquiry for European Union; (3) the Inter-American Agricultural Conference; (4) the Rome Wheat Conference; (5) the London Conference; (6) the meetings of the Commission of Enquiry for European Union in May and June, 1931; and (7) several conferences on international agricultural credit problems. The government measures of farm relief in over 40 countries are described, and the action taken by voluntary organizations in the interests of the producers in over 30 countries is discussed.

The concluding chapter gives a résumé of the economic conditions of agriculture in approximately 50 countries, including the Union of Socialist Soviet Republics.

The volume is the work of the Bureau of Economic and Social Studies and the Bureau of General Statistics of the International Institute of Agriculture.

G. F. CADISCH

Agriculture, climate and population of the prairie provinces of Canada: a statistical atlas showing past developments and present conditions. (Ottawa: H. M. Stationery Office. 1931. Pp. 102. 50c.)

This study is based on the 1928 census of the prairie provinces. The first part deals with basic physical controls and the extent to which they account for the existing systems of agriculture and the density and distribution of population. The second section treats the changes in farming since the beginning of the century. Additional sections deal with livestock and animal products, farm incomes, farm expenditures and farm values. The material is presented by means of maps and charts.

Recueil de statistiques: basées sur les données de la comptabilité agricole, 1927-28. (Rome Inst. Internat. d'Agriculture. 1931. Pp. xxiii, 412. L.80.)

The story of anthracite. (New York: Hudson Coal Co., 26 Liberty St. 1932. Pp. xv, 425.)

"The purpose of this work is to make clear the story of anthracite—to describe its origin, development, methods of mining and preparation, its human relationships and economic aspects—from the standpoint of experience." Three chapters deal with labor relations and wage rates, one with cost of production, and one with marketing.

Wheat studies. Vol. VII, Nos. 5 and 6. *Russia as a producer and exporter of wheat.* No. 7. *Survey of the wheat situation, December, 1931 to March, 1932.* No. 8. *The world wheat problem.* (Stanford Univ., Calif.: Food Research Institute. 1932. Pp. 277-375; 377-407; 409-444. \$2; \$1; \$1.)

Manufacturing Industries

NEW BOOKS

CHENEY, O. H. *Supplementary report of the economic survey of the book industry: for bookbinding executives.* Spec. rep. (New York: Employing Bookbinders of America. 1932. Pp. 70.)

CHERRINGTON, P. T. *The commercial problems of the woollen and worsted industries.* (Washington: Textile Foundation. 1932. Pp. xiii, 242.)

- JACOBS, W. P. *Problems of the cotton manufacturer in South Carolina.* (Clinton, S.C.: Jacobs & Co. 1932. Pp. xviii, 193. \$5.)
- KOZELKA, R. L. *Business fluctuations in the Northwest.* Univ. of Minnesota Employment Stabilization Research Inst., vol. i, no. 4. (Minneapolis: Univ. of Minnesota Press. 1932. Pp. 29.)
- American Iron and Steel Institute: year book, 1931.* (New York: American Iron and Steel Inst. 1932. Pp. 564.)
- Central electric stations in Canada: census of industry, 1930.* (Ottawa: H. M. Stationery Office. 1932. Pp. 56. 25c.)
- Facts and figures of the automobile industry.* 1932 ed. (New York: National Automobile Chamber of Commerce. 1932. Pp. 96.)
- New Zealand: statistical report on the factory production of the Dominion of New Zealand for the year 1930-31.* (Wellington: Census and Statistics Office. 1932. Pp. xviii, 119. 3s. 6d.)
- The quantity of manufacturing production in Canada, 1923-1929.* (Ottawa: H. M. Stationery Office. 1932. Pp. 53.)

Transportation and Communication

NEW BOOKS

- ATTERBURY, W. W. *Regulated railroads confronted by unregulated rivals: uncontrolled competition on the highways and waterways injurious to the nation's business.* Address before the Economic Club of New York City, March 29, 1932. (New York: Econ. Club of N. Y. City. 1932. Pp. 16.)
- BATTISTELLA, R. *La politica economica dei trasporti in regime fascista.* (Naples: Chiurazzo. 1931. Pp. 218. L.16.)
- BOWIE, C. P. *Transportation of gasoline by pipe line.* U. S. Dept. of Commerce, technical paper 517. (Washington: Supt. Docs. 1932. Pp. 24.)
- CAMPBELL, C. D. *British railways in boom and depression: an essay in trade fluctuations and their effects, 1878-1930.* (London: P. S. King. 1932. Pp. 125. 6s.)

The burden of cyclical change in transportation may, if rates are adjusted inversely to business prosperity, be made to fall mainly upon the trader; or, through the maintenance of stable rates in the face of fluctuating traffic, the stockholder may bear the brunt. This is the issue which was dramatized in the United States in the Fifteen Per Cent Case of 1931; and this is the central question behind Dr. Campbell's investigation of British railway profits since 1878. While recognizing that the general disturbance due to *inversely* fluctuating railway rates is easily overstressed, and while holding that ideally rates should move *directly* with business prosperity, he declares against the principle of year-by-year stability of earnings—often inferred both from the British Railway act, 1921, and our 1920 act—and favors rate stability as generally best.

Minute statistical analysis of British railways from 1878 to 1913 reveals that net earnings fluctuate more than gross—as one might conclude deductively on account of high fixed costs; but the difference is not striking nor the correspondence in time close. The effect of increasing traffic may be largely offset by failure of rates to keep pace with such cost elements as the price of coal. Maintenance outlay, moreover, is subject to considerable adjustment in time, and may be controlled to offset other variables. A comparison of net revenues in 1930 and 1913—the latter being the standard year for the determination of fair return under the Act of 1921—reveals a substantial shrinkage. While traffic decreased, rates

were compensatingly raised; so that the critical factor appears to be the abnormal level attained by wages.

The study is rigorously inductive, and of interest in its employment of statistical technique.

SHOREY PETERSON

DOLLAR, R. *One hundred thirty years of steam navigation: a history of the merchant ship.* (San Francisco: Author. 1931. Pp. 138.)

FENELON, K. G. *Railway economics.* (London: Methuen. 1931. Pp. 228. 5s.)

_____. *Transport and communications.* (London: Pitman. 1931. Pp. 101. 2s. 6d.)

JOHNSTON, J. H., compiler. *Western and Atlantic Railroad of the State of Georgia.* (Atlanta: Georgia Public Service Commission. 1931. Pp. iii, 364.)

MARIOTTI, A. *L'importanza economica del turismo.* (Firenze: Giannini e Giovannelli. 1931. Pp. 66. L.5.)

PEGNUM, D. F. *Rate theories and the California Railroad Commission.* (Berkeley: Univ. of California Press. 1932. Pp. vii, 165.)

WIEDENFELD, K. *Grundriss der Sozialökonomik.* V. Abt., 3 Teil. *Transportwesen.* (Tübingen: Mohr. 1930. Pp. viii, 150. RM. 9.)

Fifty-four authors coöperated in the writing of these outlines which are published in nine separate parts. The monograph under review, devoted to an analysis of the various systems of transportation, is the third section of that part given over to the development and organization of the processes of trade and commerce, or what may be called the field of distribution.

It is the purpose of the author to present in concise form a description and an analysis of the economic and political significance which the transport system of a nation involves. In the three chapters comprising this work he describes and discusses (1) the services rendered by transportation agencies, (2) the importance and significance of our modern transportation system, and (3) the relationship of the government to the various transportation agencies. Transportation systems are conceived in broad enough terms so as to include not only land and water transport agencies but also the field of communications such as the telegraph, telephone, and the radio.

An extensive list of references includes but three authors in the English language—Acworth, Hadley, and Johnson. Only two references are made to special conditions prevailing in the United States.

HENRY R. TRUMBOWER

Geschäftsbericht der deutschen Reichsbahn-Gesellschaft über das 7. Geschäftsjahr, 1931. (Berlin: Reichsdruckerei. 1932. Pp. 130.)

Navigation laws of the United States, 1931. U. S. Bureau of Navigation. (Washington: Supt. Docs. 1932. Pp. 468. \$1.)

Trade, Commerce, and Commercial Crises

NEW BOOKS

AKERMAN, J. *Ökonomischer Fortschritt und ökonomische Krisen.* (Vienna: Julius Springer. 1932. Pp. iv, 137.)

CLARK, G. *Economic rivalries in China.* (New Haven: Yale Univ. Press for the Carnegie Endowment for Internat. Peace. 1932. Pp. 132. \$2.)

- COWDEN, D. J. *Measures of exports of the United States*. (New York: Columbia Univ. Press. 1931. Pp. 123.)
- FORDHAM, M. *Britain's trade and agriculture: their recent evolution and future development*. (London: Allen and Unwin. 1932. 7s. 6d.)
- LESCURE, J. *Des crises générales et périodiques de surproduction*. Vol. I. *Le phénomène*. Vol. II. *Causes et remèdes*. 4th ed. (Paris: Domat-Monchrestien. 1932. Pp. xiv, 377; 380-604. 70 fr.)
- SALTER, J. A., and others. *The world's economic crisis and the way of escape*. Halley Stewart lecture, 1931. (New York: Century. 1932. Pp. 185. \$1.75.)
- SOMARY, F. *Die Ursachen der Krise*. (Tübingen: Mohr. 1932. Pp. vii, 122. RM. 6.)
- VAKIL, C. N., and others. *Growth of trade and industry in modern India: an introductory survey*. Stud. in Indian econ., vol. vi. (New York: Longmans Green. 1932. Pp. 410. \$5.)
- VALENZIANI, C. *La politica preferenziale britannica*. (Milan: Frat. Treves. 1931. Pp. x, 403. L. 25.)

Accounting, Business Methods, Investments and the Exchanges

Short Selling: For and Against. By RICHARD WHITNEY and WILLIAM R. PERKINS. (New York: Appleton. 1932. Pp. viii, 181. \$1.25.)

This book brings together the opinions of the foremost representatives of the opposing points of view on the vitally important and controversial subject of short selling. The volume consists of a collection of the Hartford and Syracuse addresses by Mr. Whitney, a reply to the Hartford address by Mr. Perkins, and the testimony of Messrs. Whitney and Perkins before the Judiciary Committee of the House of Representatives. There is also an appendix setting forth the provisions of the La Guardia Securities Short Sales bill.

Mr. Whitney presents the theory of short selling long recognized by economists, that it is essential to an open and continuous market and that by "restraining inflation and cushioning sharp declines" it tends to stabilize the fluctuations of prices. Short selling facilitates trading by permitting speedy and safe liquidation of securities by distant sellers; and, by giving odd-lot dealers an opportunity to hedge, it makes possible a small price differential between 100-share lots and odd lots of less than 100 shares. Mr. Whitney emphatically denies the existence of "bear-raiding" in recent years and points to the falling prices of bonds and unlisted securities to substantiate his contention that the decline in the prices of listed shares has not been due to short selling, but rather to unsatisfactory business conditions and to genuine liquidation.

Short selling, by forcing down market values until margins are exhausted and "forced selling abounds" is, to Mr. Perkins, "a major producing cause" of the recent liquidation referred to by Mr. Whitney. In

reply to the argument that short selling restrains inflation, he points to the small short interest prevailing in late October, 1929, and affirms that "short selling, true to the dictates of its profit making motive, takes place on a declining market instead of a rising market." Denying that the practice "cushions" falling prices, he submits statistical evidence in an attempt to show that "short selling, by its unnecessary increase of selling-supply," causes market breaks "beyond the ability of short covering to repair."

Both sides use freely the data published by the New York Stock Exchange, but the reviewer is inclined to agree with Mr. Whitney, that these statistics "do not prove *conclusively* that there is any direct relationship between the size of the short interest and the price of securities." Although Mr. Perkins' position would appear well founded at times, it remains true that short selling is only one of many factors in a falling market, and is less dominant at some times than others.

Short selling is only a small part of the whole of margin trading. Margin buying like short selling is not an unmixed blessing, and the inflation of the former is followed by the deflation of the latter. The currently discussed evils in our securities markets grow out of the privilege of margin trading; yet from this privilege a wider and more continuous market results. An unbalancing of speculative market forces is to be avoided; and the unbiased student will most likely conclude that permanent restrictions on short selling are to be sanctioned only when the adoption of similar restrictions on margin buying is feasible and in the public interest.

WARD L. BISHOP

Lehigh University

NEW BOOKS

BAKER, H. *Statistical analysis of twenty employee stock purchase plans, 1925-1932*. (Princeton: Industrial Relations Section. 1932. Pp. 23, litho-printed.)

BORDEN, N. H. *Problems in advertising*. 2nd ed. (New York: McGraw-Hill. 1932. Pp. xvii, 840. \$6.)

BRISTOL, L. H. *Profits in advance*. (New York: Harper. 1932. Pp. xi, 180. \$2.50.)

Discusses the need of careful analysis to determine the probable trend of a business or individual product in order to prevent waste and loss of profits.

CALDWELL, F. C., NORMAN, C. A. and YOUNGER, J. *Economic attitudes in industry: analysis of replies received in answer to an inquiry addressed to industrial leaders and economists*. 2nd printing. Engineering Experiment Stat., circ. no. 26. (Columbus: Ohio State Univ. 1932. Pp. 23.)

CAPLES, J. *Tested advertising methods: how to profit by removing guesswork*. (New York: Harper. 1932. Pp. xiii, 276. \$3.50.)

CHUTE, A. H. *Employee discounts and vacations in Ohio department and*

dry goods stores. (Columbus: Ohio State Univ. Bureau of Business Research. 1932. Pp. 65. 50c.)

CUTTER, W. P. *Business administration: a classification of the subject for library use.* Prelim. ed., subject to development and rev. (Boston: Harvard Univ. Grad. School of Business Admin. 1932. Pp. 229.)

DEANE, A. L. and NORTON, H. K. *Investing in wages: a plan for eliminating the lean years.* (New York: Macmillan. 1932. Pp. viii, 155.)

DODD, A. *Reducing the costs of distribution.* Finan. manag. serv. 37. (New York: American Management Assoc. 1932. Pp. 12. 75c.)

DONHAM, W. B. *Business looks at the unforeseen.* (New York: McGraw-Hill. 1932. Pp. ix, 209. \$2.50.)

FREDERICK, J. G. *The real truth about short selling.* (New York: Business Bourse. 1932. Pp. 255. \$4.)

The thesis of this volume is contained in the pages to 198; and the remainder of the work is devoted to details of Senator Capper's bills restricting short selling and to Mr. Whitney's Syracuse address.

In justification for this work, the author declares the economic virtues of short selling are fairly exploded; the old legal decisions are outdated and inadequate; unrestricted short selling on borrowed "Street" stock is dubious; unrestricted short selling in a depression is dangerous and against public welfare; and it is impotent to perform the services which are claimed for it. The market is down 78.3 per cent from 1929 and business only 25 per cent (p. 50); and predatory practices in the market are responsible for this discrepancy. Predatory short selling concentrates on key stocks and this undermines the whole market. To improve the situation, the author recommends the following: prohibit short sales on borrowed "Street" stock when the business conduct committee of the Exchange decides that liquidation has become general and when it is evident that public confidence is in a depressed state; publish the statistics of short selling regularly; and continue permanently the present exchange rule, that short sales be at a price no lower than the last quotation of sale for long account.

The general business situation, the market movements and congressional investigation since the first of the year detract from the effectiveness of this work. It is evident the book was printed in haste, for occasional misplaced lines and mis-spelled words divert and distract the reader.

JOY LUTHER LEONARD

GAULT, E. H. *Performance of department stores: 1931.* Michigan business stud. vol. iv, no. 4. (Ann Arbor: Univ. of Michigan. 1932. Pp. 148. \$1.)

The data on which the present study is based were secured from 27 stores, located north of the Ohio River between Maine and Iowa. These stores had a sales volume ranging from \$250,000 to \$1,500,000. The results of operation in 1931 were unfavorable. The study is exhaustive with many statistical tables, showing increase or decrease of sales by months, original mark-up, mark-downs, gross margin and stock-turn.

GEIER, G. J. and MAUTNER, O. *Systems installation in accounting.* (New York: Burrell-Snow. 1932. Pp. 500. \$6.)

HART, E. R. *Retail management: knacks, methods, policies.* (Chicago: Bureau of Business Practice. 1932. Pp. 206.)

HOOPER, W. D. *Operating costs of retailing coal in Columbus.* Monog. no. 20. (Columbus: Ohio State Univ. Press. 1932. Pp. 43. 50c.)

- HURRELL, A. *The security owner*. Address delivered before the Chamber of Commerce of the U.S., San Francisco, Calif., May, 18, 1932. (New York: Prudential Press. 1932. Pp. 16.)
- JOHNSON, R. W. and LYNCH, R. W. *The sales strategy of John H. Patterson, founder of the National Cash Register Company*. (Chicago: Dartnell Corp. 1932. Pp. 344. \$3.50.)
- LANGMUIR, D. *Constructing an investment program today: a restatement of principles*. Address to the West Virginia Bankers' Assoc., May 27, 1932. (New York: Distributors Group. 1932. Pp. 15.)
- MAYNARD, H. H., WEIDLER, W. C. and BECKMAN, T. N. *Principles of marketing*. Rev. ed. (New York: Ronald. 1932. Pp. xxii, 790. \$4.50.)

Five years have slipped by since the trio of marketing experts of Ohio State University published the original version of this work.¹ Significant changes in marketing methods and institutions have occurred during this period, and these changes are incorporated in this revised edition. The new edition contains nearly 100 pages more textual material than the former, 25 (instead of 15) statistical tables, and eight appendices, not to mention the numerous footnotes. The bibliography sparkles with references to recent volumes, further indication of the "down-to-dateness" of the book. Many (though not all) of the literary defects of the original edition have been corrected, and the form of the material has been improved by the addition of headings and sub-headings as a useful pedagogical device.

Among new features of the book are an enlarged treatment of channels of distribution illustrated by means of United States Census of Distribution charts of various industries (pp. 36-46); a chapter on some factors affecting consumption based on Paul Nystrom's *Economics of Consumption*; a chapter on voluntary chains (coöperative buying associations); a rather unsatisfactory chapter on wholesale distribution, inaccurately titled "Wholesale distribution of manufactured consumer goods" (since it includes in its scope the entire field of wholesaling in its broader aspects), and taken largely from Beckman's recent study, *Wholesale Distribution*, etc. (Bureau of the Census, 1931); an extended discussion of industrial marketing; some additional (though not very "significant") statistical material on the costs of marketing; and a brief, non-committal account of the Federal Farm Board.

The book has two fundamental defects. In the first place, it shares the common weakness of practically all textbooks in the field of marketing, namely, the lack of adequate data on operating expenses, which furnish the best index of marketing efficiency. The volume does contain, however, the most recent data that are available. In the second place, it smacks rather strongly of the school-of-commerce point of view. Claiming for itself a social point of view (p. 18), it is tarred with the stick of individualism (pp. 428-432) and feathered with conservatism (Chapter 38).

But there is another side to the shield; the book has definite merit. Short perhaps on economic theory, the validity of which in regard to the traditional concept of price it holds in doubt (p. 612), it is long on factual material that is both well selected and well organized. The conclusions that are reached are open to little stricture. The index is useful and adequate.

J. S. ROBINSON

¹ Reviewed in June, 1928, pp. 303-305.

MEEKER, J. E. *Short selling*. (New York. Harper. (1932. Pp. vii, 271. \$4.)

The case for short selling is treated in the first 152 pages of the book and the remainder consists of valuable appendices pertinent to the subject. An interesting departure in form is found in the first chapter summary of the entire thesis with page references to the detailed treatment. The reasons for and the mechanics of the short sale are followed by 13 arguments against and eight arguments for short selling. The experiences of seven nations in attempts to check the practice are considered. The attitude of the New York Stock Exchange and its practices relative to short selling during the decline since the break in 1929 is comprehensive in its treatment.

Declining security prices have been due not to overwhelming short interests but to continued liquidation of stocks held both outright and on margin. The bond market and unlisted stocks, on which no short selling is permitted, have also declined. The sterling crisis of September, 1931, was a contributing factor. Mr. Meeker maintains that statistical studies of short interests during 1931 cannot show conclusively that such short interests were a deciding factor in the market declines that took place.

The entire work is a restatement and an up-to-date treatment of this controversial subject. It is admirably suitable for collateral use with Mr. Meeker's *The Work of the Stock Exchange*; and it is also suitable for those who wish to acquaint themselves only with this phase of the stock market. The work is timely, direct, detailed to the point and makes a good case for short selling.

JOY LUTHER LEONARD

MOON, P. T., editor. *Can prices, production and employment be effectively regulated?* Series of addresses and papers presented at the annual meeting of the Academy of Pol. Sci., November 13, 1931. (New York: Acad. of Pol. Sci. 1932. Pp. xii, 146.)

OGLESBY, C. *Business opportunities for women*. (New York: Harper. 1932. Pp. 307. \$2.50.)

RODKEY, R. G. *Preferred stocks as long-term investments*. Michigan bus. stud., vol. iv, no. 3. (Ann Arbor: Univ. of Michigan. 1932. Pp. 80. \$1.)

The major purpose of this study is to determine the merits of preferred stocks as long-time investments. In pursuit of this goal, the record of preferred stocks was compared with that of bonds (condition [1] below) and common stocks for the period from January 2, 1908, to January 2, 1932, under the following three sets of conditions: (1) preferred stocks constantly preceded by bonds, (2) preferred stocks preceded by bonds during part of the period, and (3) preferred stocks not preceded by bonds at any time.

These conditions were put to test in a manner similar to that employed by Edgar Lawrence Smith in his *Common Stocks as Long Term Investments*, and it was found that a diversified list of industrial preferred stocks not preceded by other senior issues exhibits striking investment merit. Such investment affords safety and stability of capital investment, and at the same time yields a very satisfactory income. A diversified list of railroad preferred stocks may not be regarded as a satisfactory investment medium. Public utilities were not considered because of the paucity of these issues in 1908.

While the results are exceptionally interesting and in most respects valid, undoubtedly the author would admit the following:

(1) Arbitrary rules of investment are of doubtful value, and in spite of the results of his tests, he would probably select the preferred stock of the United States Steel Corporation (preceded by bonds) in preference to the preferred stock of Radio Corporation (not preceded by bonds and which appears as one of the securities in the supplementary test for the period 1921-1932.)

(2) Isolation of factors in such tests is virtually impossible. Thus, in the analysis involving industrial companies with and without funded debt, the companies with funded debt were not nearly as diversified as those not having funded debt—clearly, this would affect the results.

WILLIAM H. HUSBAND

SCHMALZ, C. N. *Operating results of drug chains in 1929*. Bull. no. 87. (Boston: Harvard Univ. Bureau of Business Research. 1932. Pp. vi, 50. \$2.50.)

———. *Operating results of department and specialty stores in 1931*. Bull. no. 88. (Boston: Harvard Univ. Bureau of Business Research. 1932. Pp. vi, 26. \$3.)

SELIGMAN, E. R. A. and LOVE, R. A. *Price cutting and price maintenance: a study in economics*. (New York: Harper. 1932. Pp. xiv, 539. \$6.)

SHAW, A. V. *The case against short selling: a reply to the New York Stock Exchange*. (New York: Author, 74 Trinity Pl. 1932. Pp. 26. 50c.)

SOULE, G. *A planned society*. (New York: Macmillan. 1932. Pp. ix, 295. \$2.50.)

STREIGHTOFF, F. H. *Advanced accounting*. (New York: Harper. 1932. Pp. xi, 656. \$4.)

TIPPER, H. *The new challenge of distribution: the paramount industrial problem*. (New York: Harper. 1932. Pp. xvii, 216. \$3.)

TRULL, E. *The administration of regulatory inspectional services in American cities*. (New York: Municipal Admin. Service. 1932. Pp. x, 184. \$1.)

VAILE, R. S. *Grocery retailing, with special reference to the effects of competition*. (Minneapolis: Univ. of Minn. Press. 1932. Pp. 48. 50c.)

WASHBURN, W. and DE LONG, E. S. *High and low financiers: some notorious swindlers and their abuses of our modern stock selling system*. (Indianapolis: Bobbs-Merrill. 1932. Pp. 315.)

WOODWARD, W. E. *Money for tomorrow*. (New York: Liveright. 1932. Pp. vi, 315. \$2.)

American Institute of Accountants: examination questions prepared by the Board of Examiners for the examinations conducted from May, 1927, to November, 1931, inclusive. (New York: American Inst. of Accountants. 1932. Pp. 281.)

Bell Telephone securities: reference tables and descriptions. (New York: Bell Tel. Securities Co. 1932. Pp. 62.)

Bonds without safety. (New York: New Republic. 1932. Pp. 254. \$1.)

The Dow, Jones averages, with an explanation of the Dow theory: the Barron's averages. 3rd ed. (New York: Barron's. 1931. Pp. 128.)

The financing of municipal utilities in Wisconsin. (Madison: League of Wis. Municipalities. 1932. Mimeographed. 50c.)

The management of municipal utilities in Wisconsin. (Madison: League of Wis. Municipalities. 1932. Mimeographed. 25c.)

Studies in securities, 1932. 6th issue. (New York: Jas. H. Oliphant & Co. 1932. Pp. 145.)

Capital and Capitalistic Organization

The Holding Company: Its Public Significance and Its Regulation. By JAMES C. BONBRIGHT and GARDINER C. MEANS. (New York: McGraw-Hill. 1932. Pp. xv, 398. \$4.00.)

The major thesis of this book is that the holding company in the United States is not merely an important device for controlling large aggregates of capital, but is a leading means by which business has avoided social control. By this device, the authority of the anti-trust laws, of the public utility commissions, of the Interstate Commerce Commission and of the National Banking act has been set at naught. The book is therefore a plea for the regulation of holding companies, which in their present state are seen as a grave public menace.

It is apparent that to write a concise book on a topic of this scope calls for nice judgment in knowing what to leave out. An economic-legal institution such as the holding company has so many ramifications into diverse fields that only a few can be followed out. The authors have solved the problem in accordance with the bent of their own major interest and experience, by writing a study primarily of the holding company in its public utility, and latterly, its railroad aspect. They have then rounded this out by inserting briefer discussions of the holding company in the industrial and banking fields, prefacing the whole with some introductory chapters on the nature and purpose of the holding company.

The opening chapters constitute a competent treatment along established lines, of the significance and advantages of the holding company as a form of business combination. The chief alternative methods of consolidated control are briefly outlined; and the holding company is compared with each in turn. This part of the book is an excellent example of logical expository writing. Though the treatment of alternative forms is far from exhaustive, it serves to throw the main topic of the study into clear relief by means of contrast and comparison.

After a chapter on the early history of the holding company, its use in the industrial field is taken up. Turning then to the public utilities, the authors devote a chapter to summarizing the rise and present organization of the major systems in the gas and electric power industries. This, together with the corresponding chapter on the recent railroad holding companies, forms a factual and descriptive background of great value in appraising any proposed policy regarding regulative measures. The conditions under which the several systems arose are traced, with comparison of the differing financial expedients by which these conditions were met.

The two succeeding chapters on the necessity and methods of regulation form the high point of the book. The oft-repeated advantages of

the holding company in effecting legitimate economies of operation are subjected to a critical scrutiny, and various types of holding company integration are compared. The view of utility spokesmen that regulation of operating companies renders superfluous any attempt to regulate parent companies is fairly presented and decisively answered. The authors conclude: "First, that the public utility holding company has been a great factor in the development of efficient electrical systems throughout the country, and second, that its almost complete freedom from regulation has become a major public menace. . . . We are no longer in pioneering days. The time has come when a lower premium should be paid for speed of development and a much higher premium for carefully evolved plans of coördination dictated in the interests of engineering efficiency and of the requirements of the community, rather than primarily in the interest of large profits for utility financiers."

Since, in the railroad field, thoroughgoing regulation long preceded holding company development of the Van Sweringen and Pennroad type, the authors' main thesis is concerned with the lack of consilience between the I.C.C. consolidation proposals and the systems foreshadowed by present holding company extension. The brief discussion of bank holding companies imparts to the work a certain formal completeness and affords valuable contrasts with other uses of the device, but makes no pretense of exhausting this fertile topic.

An appendix contains a résumé by Maurice Mound of the New York Bar of suits alleging mismanagement of subsidiaries by holding companies or parent companies.

This is a skillful attempt to place between covers a topic too large for one book. But controversial questions of public policy such as this, large as they are, nevertheless demand action based upon such concisely summarized opinion as is here provided. The authors have not merely taken a forthright stand, but have performed the more difficult service of analyzing disinterestedly a question too often dealt with either by muck-raking sensationalists or by financially interested partisans.

B. A. THRESHER

Massachusetts Institute of Technology

The Economics of Public Utilities: A Reference Book for Executives, Investors, Engineers and Students. By L. R. NASH. 2nd ed. (New York: McGraw-Hill. 1931. Pp. xvii, 508. \$4.00.)

The chief interest in a second edition of a widely used book lies in the author's changes, additions, and improvements. The first edition was reviewed by C. S. Morgan in *American Economic Review*, vol. 16, p. 323 (June, 1926). The major additions consist of an entirely new chapter on holding companies, and new or rewritten sections on depreciation, public relations, valuation, rates, and outstanding current problems.

A few sections, or sentences, are rephrased to take recent developments into account; and statistics are brought up to date.

Under the head of improvements, I discern no substantial change of opinion. The author, not unexpectedly, vigorously champions the point of view of utility operators. In this edition there is perhaps a somewhat more defensive attitude, a disposition to ask the reader not to judge the utilities as a whole by the activities of a few. On the other hand, Mr. Nash urges aggressive reply to critics of the industry who, according to him, are mostly "politicians or radicals." Nevertheless, although Mr. Nash is a sturdy partisan, he is not wholly oblivious to misdeeds in his own household, and consequently he asks for some internal house-cleaning.

As in the first edition, the chapters are of uneven merit. Those on public ownership and public relations are least satisfactory and most evidently biased or short-sighted; those on depreciation and rates are the most satisfactory, considering the scope and purpose of the book. Broadly speaking, Mr. Nash is more convincing on subjects within the special province of the utility operator and least persuasive in the realm of public policy. He might profitably have expanded the former and curtailed the latter.

A few outstanding topics warrant special mention.

The new holding company chapter is distinctly defensive in tone, even including admission of need for some regulation and especially some self-correction by the industry. The conventional defense, that regulation of operating companies adequately protects rate-payers against any conceivable holding company abuses, is weak. Mr. Nash apparently believes the holding company is of permanent value. In my opinion this view is premature. We will be in a better position to appraise the legitimate sphere of usefulness of holding companies after the casualties of the present depression are fully recorded and examined.

On valuation, Mr. Nash inclines toward the investment standard, as long as commissions do not go too far. The cost of reproduction theory is a useful shield against too stringent regulation. But he still believes in all the valuation frills, such as going value and generous overhead allowances, which can be used to build up even an historical cost rate-base to a point where rate control becomes attenuated. He has nothing very specific to say about the vital current question: Can utilities legitimately or wisely assert claims to returns on 1929 asset values, when nearly all other property values have shrunk to much lower levels? Apparently, the rigidity of public utility prices in a price revolution like the present is not worth mentioning or at least is justifiable under the "feast-and-famine" theory—utilities do not feast when other industries prosper and hence should not suffer famine in depressions, so the argument runs. Generally speaking, Mr. Nash ignores the consequences of

the present drastic depression, though it was already two years old when he finished this edition.

On depreciation, Mr. Nash's well-known views are suggestive, but he goes too far in urging flexibility of depreciation allowances and reserves. To use depreciation for rate or dividend stabilization is dangerous doctrine.

In discussing distribution costs and the spread between residential lighting and industrial power rates, Mr. Nash is orthodox when he might have been challenging. This is a field destined for further study and experiment, in the light of changed technological and operating conditions. Mr. Nash, however, contributes nothing new.

On the whole, Mr. Nash's style is simple and his exposition clear. The value of the book is that it reflects in large measure the experience and attitudes of an able public utility operator. If used in classroom work, this slant should be kept in mind.

E. W. MOREHOUSE

Madison, Wisconsin

Is Capitalism Doomed? A Challenge to Economic Leadership. By LAWRENCE DENNIS. (New York: Harper. 1932. Pp. xi, 328. \$3.00.)

The chief interest of this book to the reader, as evidently to the author, is that of an exposé, an interesting collection of "shocking" revelations; it is not to be considered under the head of economic analysis or scholarly current history. The preface begins with the admission that "realism, logical consistency and emotional sincerity are the aims . . . of this book." Before one is through with the preface this first word, "realism," with grammatical variants, realistic, realist, etc., has occurred twenty-one times, besides a liberal sprinkling of other terms for the same idea—sincere, genuine, courageous, fact-facing, know-the-worst, honest, true, sham, illusion, smug, concealment, self-deception, dissimulated, self-delusion and (of course) "wishful thinking" (three times) all in less than four full pages. The author also explains that his realism is "not for a sadistic joy in making certain people wince."

After this preface the economist will know what to expect and will read for pleasure, without looking for any serious study of the troubles of capitalism or proposal of remedies, or wasting time hunting a connection between what comes before and what comes after the word "therefore," which occurs rather frequently. The author does not think there is any difference between bank-credit and a loan from one party to another (p. 59 note). His explanation of crises, put in syllogistic form on page 36, is very clear: investments "cannot" accumulate indefinitely at compound interest, and "therefore" there "has to be" a liquidation once in so often. That it is the debtors who are liquidated in favor of

the creditors rather than conversely, is beside the point in this kind of a book on capitalistic economics.

All this is perhaps additional reason why a person with some training in general economics may read the book with profit and without danger of injury to his education. The author is said to have had wide experience in the diplomatic service abroad and in investment banking, and some of his observations of life and human nature are interesting, if one is not too much repelled by the bombastic fury in which the rhetoric storms on from page vii to page 317.

Much of what is said deserves especial attention from economists, since it tends to correct their peculiar one-sidedness of view. For instance, one is glad to agree with the main conclusion of the work, that the essential defect of capitalistic civilization is that it does not develop "spiritual leadership" (the title of the concluding chapter). If one could only have a discussion beginning at this point and going on, instead of ending here! And, "incidentally," if it would substitute "modern" civilization for "capitalistic" to begin with, and explain just what is the causal relation between "capitalism" and our spiritual and other human qualities! Worth pondering also are the observations (in Chapter 4, the key chapter) that "nations need activity more than they need goods" and that "loafing by the rich is a form of vicarious enjoyment by the poor," wherefore "artistic loafing is a career of high social service which should be taken as seriously by the loafers as it is by their public." The special weakness of American civilization is that we have no aristocracy which does this comparably with the nobility of European countries. That this is a phase of "spiritual leadership" will of course be apparent to anyone whose mind is not too warped by the study of the classical economics. So, in many ways, the book is an interesting experience.

FRANK H. KNIGHT

University of Chicago

NEW BOOKS

BROOKINGS, R. S. *The way forward*. (New York: Macmillan. 1932. Pp. ix, 97. \$1.)

The author recognizes the need of a readjustment in the capitalistic system. "This reform would consist largely in the rental of capital by the workers and management, stabilizing a fair rental return for it while leaving to the workers and management as their remuneration all the profits. . . . This measure of capitalism, which limits capital to its rental value and distributes all surplus wealth among the people, produces a form of capitalism which retains all the fundamental value of family, of independence of religion, of efficiency in terms of individuality and civic liberty, while correcting the present unjust distribution of wealth which has aroused the criticism of the best minds of all nations" (p. 73). The chapter headings are entitled, "Capitalism in evolution"; "The way for-

ward for industry in the United States"; "The way forward for agriculture in the United States"; "The way forward for Europe"; "The way forward for Russia."

HANDLER, M., editor. *The federal anti-trust laws: a symposium conducted at Columbia University*. (New York: Commerce Clearing House, 1932. Pp. 229.)

Contains addresses delivered at Columbia University in December, 1931. Among the speakers were Walton H. Hamilton, Frank A. Fetter, Gilbert H. Montague, W. D. Hines, M. W. Watkins, A. R. Burns, A. A. Berle, Jr., and Milton Handler.

HARMS, B., editor. *Kapital und Kapitalismus*. Band I and II. (Berlin: Reimar Hobbing. 1931. Pp. xii, 513; viii, 511.)

On the occasion of the twenty-fifth anniversary of its founding, the *Deutsche Vereinigung fuer Staatswissenschaftliche Fortbildung* inaugurated a series of related lecture courses which were devoted to a consideration of the basic changes which had taken place in the German political, legal and economic structure since the war. That the rank and file of the German intelligentsia might have a basis for the formation of an independent judgment on these problems, the Institute has made the lectures available in published form. The results of the first three of the courses have since been published under the titles *Strukturwandlungen der deutschen Volkswirtschaft*, *Reich und Staat im neuen Deutschland*, and *Volk und Reich der Deutschen*. The present volume is the latest of this series, the result of lectures conducted in the fall of 1930 at Bad Pyrmont under the jurisdiction of the Institute by a group of outstanding authorities in the field of economics and politics. These volumes are published under the editorship of Dr. Bernhard Harms, as were the previous volumes.

The general theme of the Pyrmont meetings was "The Facts and Problems of Capital and the Capitalistic Economic System." The lectures are published in two volumes to which there are 46 contributors and 48 contributions. These volumes are concerned *inter alia* with the character and meaning of capital and its significance in a capitalistic and a non-capitalistic society, its formation, its distribution among the various industries and countries, the forces making for the determination of interest rate in a capital market, the function of banks and banking in capital formation and distribution, capital in agriculture, the shortage of capital in Germany, consumer financing, control of credit, and a host of similar problems of a technical economic sort. However, the discussion in its broader aspects, in the words of the editor, "inevitably leads to an analysis of the whole economic and social life of the present." It has been given a certain unity by the choice and arrangement of specific topics. Both factual and theoretical aspects of the various problems are considered. Although designed in considerable part for consumption by the German layman genuinely interested in economic and political affairs, it is well worth the attention of economists interested either in the theoretical aspects of these problems or in the facts of post-war German monetary and capital developments. Among the list of contributors are such well-known names as Sombart, Schumpeter, Wagemann, Palyi, A. Weber, Hilferding, and Naphtali.

GEORGE WARD STOCKING

IOXIE, G. L. *Men, money and mergers, with illustrations drawn from the electric power industry.* (New York: Macmillan. 1932. Pp. vii, 321. \$2.)

AVITS, B. A. *Business and the public interest, trade associations, the anti-trust laws and industrial planning.* (New York: Macmillan. 1932. Pp. xix, 304. \$2.50.)

PINNER-HAMBURG, W. *Das Schlichtungskartell: ein Vorschlag für ein positives Kartellrecht.* (Berlin: Carl Heymanns. 1931. Pp. 44. RM. 3.)

This is a plea for the strengthening of the position of the cartels by prohibiting or making it more difficult for members to withdraw from the cartel and secondly by creating an agency which would be authorized to declare the cartel agreement binding even for non-members in the same trade. The power would be analogous to that of the minister of labor to declare a trade agreement entered into between the union and the employers' association binding even in the unorganized portion of the trade.

NATHAN REICH

STOCKDER, A. H. *Regulating an industry: the Rhenish-Westphalian coal syndicate, 1893-1929.* (New York: Columbia Univ. Press. 1932. Pp. xii, 159. \$2.50.)

WHITE, F. *White on corporations.* Vol. VIII. *Non-stock corporations.* By F. KELLIHER. (Albany: Bender. 1932. Pp. 578. \$7.50.)

Labor and Labor Organizations

The Government in Labor Disputes. By EDWIN E. WITTE. (New York: McGraw-Hill. 1932. Pp. xi, 352. \$4.00.)

Dr. Witte's long expected book is probably the best American study to date on the relations between unionism and the various institutions of government. In addition to the usual subjects, such as conspiracy, injunctions, strikes, picketing, boycotts, and anti-union contracts, the author deals at length with such matters as criminal prosecutions arising out of strikes, the problem of violence and the means used to prevent it, legal provisions for conciliation and arbitration, and the various proposals designed to relieve labor of the restrictions imposed upon it by the courts, including the Norris federal anti-injunction bill, which was passed by Congress in the present session. The volume thus brings together much material which has heretofore been available only in widely scattered sources. The treatment is objective throughout most of the volume. The statement of Dr. Witte's own position in support of collective bargaining, of the peaceful activities of trade unions, and of legislation designed to liberate unions from many of the restrictions imposed by the courts is reserved for the concluding chapter.

The chapter on injunction procedure adds little to the very complete treatment of that subject in Frankfurter and Greene's *Labor Injunction*, but it is based upon a study of 1845 injunctions issued since the 1880's by federal courts and by courts in every state, whereas the

earlier study confined its attention to the federal courts and to those of New York and Massachusetts. The treatment of this subject in the present volume is concise and effective. The author's description of injunction procedure tallies in all important respects with the more thorough discussion in Frankfurter and Greene's volume. Dr. Witte's analysis of the results of injunctions is both original and important. He points out that while injunctions designed to prevent the refusal to work on non-union materials and interference with anti-union contracts have been successful, this is generally not true of injunctions against ordinary boycotting, picketing, and strikes. It appears that when injunctions designed to handicap strikes have succeeded, they have done so because they create a condition of pessimism and panic in the minds of union men. Much more important than injunctions as means of hindering strikes are the thousands of arrests of strikers on charges of violating statutes and ordinances which prohibit such acts as rioting, assault, and unlawful assembly. The lesser importance of injunctions is further indicated by the exceedingly small number of contempt proceedings arising out of their alleged violation.

One is driven to conclude, from the evidence presented in this volume, that one of the most important effects of injunctions in labor disputes is to make the workers believe that they do not receive just treatment in the courts. It appears, furthermore, that an effective method of dealing with the wholesale arrests of strike leaders and strikers on criminal charges which are rarely carried to trial, would, if labor were to develop it, be worth much more to its cause than getting rid of the evil of injunctions, serious as that is. Especially does one feel that the great amount of energy and sentiment devoted to obtaining jury trials in labor contempt cases deserves to be put to more important use, since the number of such cases actually brought to trial is so small.

The excellent volume under review is marred by a number of minor errors. Dr. Witte's criticism of Adamic's *Dynamite* is hardly justified in all points. On page 119, in discussing the Buck's Stove and Range case, it is said that the three most prominent labor leaders in the country were at one time under sentences of one year in jail. As a matter of fact the sentences of Gompers, Mitchell, and Morrison were for one year, nine months, and six months respectively (221 U. S. 418, 425). On page 239 it is said that the railway arbitration act of 1888 was never used. It is true that its arbitration provisions were never used, but on July 26, 1894, President Cleveland appointed a commission under the terms of the law to investigate the Pullman strike. On page 261 the firm of Hart, Schaffner, and Marx is said to have negotiated a trade agreement in 1910 with the Amalgamated Clothing Workers. This union, however, did not actually come into existence until several years later.

On page 62 the author refers to the proposed Sherman amendment to exempt "any arrangements, agreements, or combinations by laborers" from the operations of the original Sherman anti-trust bill of 1890. Dr. Witte assumes that the phrase "arrangements, agreements, or combinations" would have applied only to unions *per se* and not to union activities. Since, under the Sherman act, with one exception, only the activities of unions have been condemned, the adoption of the amendment, in his opinion, would not have made any difference to labor. This, however, does not seem correct. The Sherman act uses the terms "contract," "combination," and "conspiracy." These terms have been applied to labor activities. But in essence their meaning is the same as the phrase of the amendment, "arrangements, agreement, or combinations." If the former terms apply to labor activities those used in the amendment would also have applied to such activities, and the enactment of the amendment would have made it improbable that labor would be restricted by the anti-trust act. The argument to the effect that Congress did not intend that labor should be reached by the anti-trust act rests essentially upon the nature of the debates and upon the fact that the act as passed was a different measure from the original Sherman bill to which the labor exemption amendment was attached.

Despite these minor points, however, Dr. Witte's book is by far the most valuable treatment of its subject known to the reviewer. Its wealth of information, the wide scope of its subject matter, its valuable bibliographical notes, its excellent treatment of many topics heretofore ignored in works on the legal status of union activities, and the clarity and conciseness of its style should cause its acceptance as the standard work in the field.

EDWARD BERMAN

University of Illinois

NEW BOOKS

ALLEN, R. *The labor of women in the production of cotton*. Bur. of Research in the Soc. Sci., stud. no. 3. (Austin: Univ. of Texas. 1931. Pp. 285.)

This work is a most painstaking and thorough study of those women who are laborers for hire or whose families are engaged in the growing of cotton in the State of Texas. The number of selected samples is relatively small since it includes only 1,140 women from eight Texas counties, five in Central, two in East, and one in West Texas; whereas, in 1920, 99,958 women were engaged in agriculture in the 254 counties in the state. While Miss Allen admits that she is merely touching the "peripheries of a realm of investigation" and insists that her study is not intended to form the basis for the drawing of "infallible conclusions," she ventures the hope that "the publication of these facts and suggestions as to further fields of examination [will] have a heuristic effect. . . ."

With the above limitations in mind, it is implied or suggested that much cotton is raised on land sub-marginal for that purpose and consequently,

there is a misuse of natural resources. This might be true for one or more of three reasons: First, since the price of cotton does not yield enough to meet its costs of production (including an opportunity rent and wages) it is necessary that the women help work the crop without receiving wages. Otherwise, the head of the household may not have a residual amount (after paying his rent) sufficient to supply a bare subsistence for his family. Second, much of the land, if used for cotton production, is not able to produce a gross return sufficient to enable the cultivator to pay the landlord a rent which is commensurate with what the land would yield if used for other purposes. This condition might be due either to relatively inefficient operation on good land or to efficient operation on poor land. And finally, it is maintained that since labor is so much more efficient in industry, the cultivator cannot pay the going wage and hence must utilize his family to the maximum extent.

If this is true, those farmers who hire labor must pay as little as possible in money wages in order to compete with the grower who raises not only cotton but enormous families. Since this labor must be obtained with the minimum of expenditure of money or consumable goods, the cotton grower naturally turns to the group least able to resist a wage equal to the barest subsistence—women of the following classes: (a) those who are unable or unwilling to seek more lucrative employments elsewhere; (b) those belonging to casual families who wander about the face of the earth receiving a considerable psychic income in the satisfaction of their craving for travel; (c) negro women whose standards of living are low and who receive from their male associates nothing more than this very meager subsistence; and (d) a considerable sprinkling of Mexican women whose standard of living is even lower than that of the negro woman, and who seldom if ever participate in the family income. To quote Miss Allen: "When there are available in large numbers women who will work for six months in the production of cotton in return for a living such as that described in this paper and furnish a large part of that living themselves, why should anyone else be used to produce cotton?"¹

LAURENCE R. GRAY

ASH, S. H. *Accident experience and costs of accidents at Washington metal mines and quarries*. U. S. Dept. of Commerce, tech. paper 514. (Washington: Supt. Docs. 1932. Pp. 35.)

BAKER, H. *Statistical analysis of twenty employee stock purchase plans, 1925-1932*. (Princeton: Princeton Univ. Industrial Relations Section. 1932. Pp. iii, 23.)

BIMBA, A. *The Molly Maguires*. (New York: Internat. Pubs. 1932. Pp. 144.)

An historical study based upon records of the Molly Maguire trials and documents in the libraries and historical societies of the anthracite counties of Pennsylvania.

DE SCHWEINITZ, D. *How workers find jobs: a study of four thousand hosiery workers in Philadelphia*. (Philadelphia: Univ. of Pennsylvania Press. 1932. Pp. xiii, 199. \$2.50.)

This study reveals that the manufacturers of full-fashioned hosiery in Philadelphia—at a time when wages and earnings were high—(1) were not getting a selection of the best of the young people available in the city, (2) that they were training new workers for tasks in their individual

plants, when trained workers from other plants were idle and available, (3) that they were victimized by "job-shoppers" who accepted work with no notion of permanence, (4) that an excess labor supply was created for the industry as a whole in the Philadelphia market—all this because of the lack of organization of a labor market for the industry in that city and the lack of intelligent coöperation between plants in labor recruiting.

The study brings together the results of an investigation into the methods by which some 4,000 hosiery workers in Philadelphia obtained their jobs. And, incident to complete understanding of this question, the study supplies some understanding of the full-fashioned hosiery industry in the Philadelphia area—the growth of the business, its experience in prosperity and depression, the extent and influence of labor organization in the Philadelphia market, the character of the various occupations within the industry. But, what is most significant, most of the employees in the trade obtained their work, at a time of rapid expansion and marked profitability, either by the sharing of information of employees of various plants with each other, or by definite invitation from some person already employed in the industry. Most of them obtained positions because a friend "spoke for them." Although Philadelphia had and has a number of employment agencies—both public and private—these practically played no part in the labor recruiting for this industry. Despite the fact that the industry offered a great demand and opportunity for young people, the services of the Junior Employment Service of the Philadelphia school system were not drawn upon. Nor did the union in the trade play much part in the matter of placements. The workers were chiefly young Americans of rather high class, earning high wages and living well—the very aristocrats of the textile trades, half of whom were girls and young women. This new, rapidly growing industry attracted and desired youth. Most of these workers came to work in the hosiery plants directly from school. Yet the consequence of haphazard labor recruiting yielded the results tabulated in the first paragraph. Depression and the ensuing necessitous readjustments simply reveal the true nature of the case.

However, this study is not to be regarded solely as throwing light on the placement situation in a particular industry in a particular city. The full-fashioned hosiery industry of Philadelphia is simply an industrial "Middletown." To be sure, the author selected for study a business which is of recent importance, which was highly prosperous, and in which there is a high grade native labor force. These facts, however, should strengthen rather than weaken the acceptance of the results of the study as evidence by the case-method of the rather general lack of organization of the American labor market. As a contribution to the growing view of informed students that some public provision of efficient employment exchanges is imperatively demanded, Miss De Schweinitz's study is highly important. Even the hosiery manufacturers should be convinced.

HERBERT MAYNARD DIAMOND

- FLEDDÉRUS, M. L., editor. *International unemployment: a study of fluctuations in employment and unemployment in several countries, 1910-1930.* (New York: Internat. Industrial Relations Inst. 1932. Pp. 499. \$2.50.)
- FORD, A. *A scientific approach to labor problems* (New York: McGraw-Hill. 1932. Pp. x, 446. \$4.)

Personnel management is a partial integration of earlier developments in welfare work and scientific management. Students of management are

wont to believe, and consequently to assert, that the welfare motif is waning; that personnel management is no longer a sociological frill but an integral part of scientific management that pays its way by increased efficiency. Although the movement has undoubtedly made progress in this direction, "rule of thumb" methods still predominate. Relatively few firms formulate their policies and methods on the basis of a rigorous analysis of performance records; technical analyses of jobs and workers are talked about more than done; and few phases of personnel work have been established by cost analysis. Goodwill is still sought as a direct objective rather than treated as a by-product of good management. The comparatively little use of scientific method in personnel management may be accounted for in part by the fact that irregularity of employment and shortcomings in respect to internal organization and control render unprofitable the use of refined methods of personnel research in a majority of business enterprises. The development of scientific methods of research is further handicapped by the fact that comparatively few personnel managers command the necessary technical knowledge.

The present volume is an attempt to provide the viewpoint and technique for a scientific approach to problems of labor management. Although data are drawn from the physical, biological and social sciences, the approach is mainly from the viewpoint of psychology. Part I deals with the field of personnel management in general; Part II, with technical problems of personnel measurement.

Materials in the first part, developed in twenty-three chapters, fall into three major sections: "Production measurements"; "Policies of management"; and "Selection." Although much of the subject-matter dealt with is highly controversial, the presentation is judicious, and with few exceptions would doubtless be quite generally accepted as sound psychological method. Particularly worthy of commendation is the emphasis given the need of an adequate analysis of performance records as a basis for evaluating managerial policies and methods, and for devising and validating methods of selection. The author does not, however, deal adequately with the question of economic applicability of the methods set forth. Much of his illustrative material is drawn from the electrical power and light industry in which the comparative regularity and highly technical character of employment make the use of scientific methods of personnel analysis more practicable than would be true for most other types of industry.

The presentation of highly technical elements of methodology in Part II would appear too brief to serve the needs of the non-technical reader, and without novelty for the technical reader so that, unfortunately, it fails of attaining either objective.

As an introduction to scientific method in labor management this book has distinctive merits, but it is hardly more than an introduction.

R. W. STONE

HERSEY, R. B. *Workers' emotions in shop and home: a study of individual workers from the psychological and physiological standpoint.* (Philadelphia: Univ. of Pennsylvania Press. 1932. Pp. xviii, 441. \$3.)

HEYDE, L., and others, editors. *Internationales Handwörterbuch des Gewerkschaftswesens.* Parts 1-8. (Berlin: Werk und Wirtschaft. 1932. R.M. 22.50 per part.)

KOKKALIS, A. *Das Problem der Arbeitslosigkeit unter Berücksichtigung der*

wirtschaftlichen Entwicklung Deutschlands. (Nürnberg: Hochschulbuchhandlung Krusche & Co. 1932. Pp. 77. RM. 1.60.)

LEEDS, M. E. and BALDERSTON, C. C. *Wages: a means of testing their adequacy.* (Philadelphia: Univ. of Pennsylvania Press. 1931. Pp. xi, 79. \$1.50.)

This book is an interesting and worth-while study of the wage policy of the Leeds and Northrup Company. Standards by which the actual wage payments could be measured were developed based on: (1) a definite quantity of goods and services designated as a "minimum of health and decency," (2) the Philadelphia prices of these goods and services, (3) the ages at which the typical worker joins the company and acquires family responsibilities. The typical male employee is hired at 19, marries at 26.5, has his first child at 28, his second at 31 and his third at 34 years of age. As his family responsibilities grow larger the "minimum of health and decency" budget increases. Thus a minimum budget may be calculated for the typical worker varying with his length of service. This is designated the "service budget." The minimum requirements of each worker based on the actual size of his family may also be calculated. The typical "service budget" and the "actual family budget" may now be compared with the actual historical earnings of each employee over the entire period of service with the company.

This approach is distinctly superior to the customary budget studies which usually investigate only the needs of a typical family. The study under review attacks the problem from the standpoint of promotion policy and raises the question whether promotion and increase in earnings with length of service correlate with the typical needs of the worker as he advances from young manhood to growing family responsibilities.

ALVIN H. HANSEN

MARICHALAR, L. *La política de los salarios.* Pub. no. 27. (Madrid: Soc. para el Progreso Social. 1932. Pp. 39.)

SACERDOTI, P. *Le associazioni sindacali nel diritto pubblico germanico.* (Padova: Cedam. 1931. Pp. vii, 282. L. 1.30.)

SEYMOUR, J. B. *The Whitley Councils scheme.* (London: P. S. King. 1932. Pp. viii, 253. 12s.)

STEVENSON, R. A. editor. *Proceedings of the Minnesota conference on unemployment relief and stabilization, November 17-19, 1931.* (Minneapolis: Univ. of Minnesota Press. 1932. Pp. 95.)

TAYLOR, P. S. *Mexican labor in the United States: Chicago and the Calumet region.* (Berkeley: Univ. of California Press. 1932. Pp. vii, 284. \$3.)

VINCENT, M. J. *The accommodation process in industry.* (Los Angeles: Univ. of Southern California Press. 1930. Pp. vi, 112. \$2.)

This is a study of "accommodation" as a conscious social process in industry. Its purpose is to shed light on the nature of the process and to clarify the meaning of the term. Accommodation is defined as a social process which brings about conscious adjustment of conflict and which involves one or more of several things such as a gesture of peace or the willingness to compromise. Possibly these case studies of the labor situation shed some light on the nature of accommodation. That must be left for the sociologists to decide. But little or no light is shed upon the problems of industrial relations. On the contrary, the attempt to use a sociological vocabulary instead of matter-of-fact terms to describe labor situations

is confusing and distorting. Consider this explanation of why unions demand the closed shop: "Complete subordination of different persons or groups may create an unpleasant situation for the persons concerned. . . . This will be the case, for instance, if the supervisors are themselves in opposition or in actual conflict. . . . Such is the typical situation of the man who has to serve two masters. Consequently, there is a desire on the part of the union to have the employer recognize the union in order to avoid the conflict which emerges when the worker seeks to serve loyally both the union and the employer" (pp. 96-97). If this is the kind of explanation which sociology has to offer, little help can be expected from it.

A serious drawback to the usefulness of the concept of an accommodation process in interpreting industrial relations arises from the fact that both sides are usually primarily interested in something other than accommodation. The most typical situation in industry is a conflict restrained by the desire of each side to avoid more serious and costly forms of conflict. Is this a process of accommodation or of conflict? Even when peace settlements are made, interest is far from solely in the accommodation. Each side is likely to be more concerned about gaining an advantageous position to begin another fight.

S. H. S.

WERNER, E. C. *An employment history of unskilled male office workers of continuation school age in Philadelphia for a period of five years*. A thesis. (Philadelphia: Univ. of Pennsylvania. 1931. Pp. 199.)

Abolition of fee-charging employment agencies: supplementary report concerning agriculture. Internat. Labour Conf., 16th sess., 1932. (Geneva: Internat. Labour Office. 1932. Pp. 16.)

Age of admission of children to employment in non-industrial occupations. Internat. Labour Conf., 16th sess., 1932, suppl. blue rep. (Geneva: Internat. Labour Office. 1932. Pp. 8.)

I contratti di lavoro nelle industrie tessili varie: raccolta sistematica a tutto l'anno 1900. (Milan: Archetipografia. 1931. Pp. 263.)

The I.L.O. year-book, 1931. 2nd year of issue. (Geneva: Internat. Labour Office. 1932. Pp. xvi, 547. \$3.)

International unemployment: a study of fluctuations in employment and unemployment in several countries, 1910-1930. Contributed to the World Social Economic Congress, Amsterdam, August, 1931. (The Hague and New York: Internat. Industrial Relations Inst. 1932. Pp. iii, 496. \$2.50.)

International wage comparisons: documents arising out of the conferences held at the International Labour Office in January, 1929, and May, 1930, convened by the Social Science Research Council of New York. (Manchester: Manchester Univ. Press. 1932. Pp. 262. 10s. 6d.)

The title of this volume might seem to indicate that international wages are actually compared, but this is not the case. The necessary data are generally either lacking or presented in such a way as to make comparison questionable, if not impossible. Even if the data are carefully collected and presented in the form most suitable for international comparison, the differences in industrial organization and habits of consumption present almost insurmountable difficulties. Such are some of the conclusions found in this publication which is really a collection of documents that were prepared over a period of nearly three years following January, 1929, when the Social Science Research Council of New York convened its first conference at Geneva on international wage comparisons.

The various documents are presented as they were prepared rather than attempting to bring them up to date in this rapidly expanding field of statistics. As the preface indicates:

"The documents should be consulted partly as an attempt to survey minutely the wages and cost of living material in existence in the six countries: Canada, France, Germany, Italy, the United States, and the United Kingdom; and partly as a record of changes which have gone on in this relatively short period. . . . if there is one continuous thread running through this volume, it is that the endless diversity of national statistics will never be reduced to the order and uniformity necessary for international wage comparisons except through an international agency, and that, however important may be the need for each country to strengthen its own statistics, the task of coördinating developments of this kind along the lines which will ultimately yield the greatest degree of comparability is still more urgent."

The Committee on Wage Index Numbers which met under the chairmanship of Professor Gini, President of the Central Institute of Statistics, Rome, formulated general principles for the guidance of experts of the different countries. It distinguished six different purposes for which index numbers may be compiled, and prepared elaborate and comprehensive resolutions on the methods to be adopted. These resolutions are really for future use since they indicate the best methods to be employed when all the necessary data are at hand. Even though very few countries, if any, can now adopt these resolutions in their entirety to secure satisfactory index numbers of wages, they are valuable from the viewpoint of statistical theory and practice, for all countries may use these guiding principles in the collection and organization of data.

This publication includes the report of Mr. John Jewkes, who was commissioned to supplement the descriptive account of the statistical sources available in each country, which had been presented to the first conference, by a collection and review of the chief indexes derived from these sources. This report is an excellent piece of work which provides students of wage questions with statistics of wages and cost of living as well as a detailed explanation of how they were compiled. This report also provides a practical illustration of the great diversity of methods employed in the six countries to collect and present their wage and cost of living data; and it makes clear the difficulties of detail which face those who attempt to use the material as published for the purposes of international comparison.

HARRY PELLE HARTKEMEIER

Labor organization in Canada: twenty-first annual report for the calendar year 1931. (Ottawa: H. M. Stationery Office. 1932. Pp. 275. 50c.)

I salari nelle industrie negli anni 1929 e 1930. (Rome: Inst. Pol. dello Stato. 1931. Pp. xxxix, 502.)

Salary and wage policy in the depression. (New York: National Industrial Conference Board. 1932. Pp. viii, 67.)

Studies on industrial relations. II. Stud. and rep., ser. A (Industrial relations), no. 35. (Geneva: Internat. Labour Office. Boston: World Peace Foundation. 1932. Pp. v, 162. \$1.)

This second volume of studies includes the Zeiss Works, the F.I.A.T. Establishments, the Philips Works and the Sandvik Steel Works.

Wages in the United States in 1931. (New York: National Industrial Conference Board. 1932. Pp. x, 78. \$1.)

"While at the close of 1930 there was little indication that widespread reductions of wage rates had occurred, at the close of 1931 there was ample evidence that wage rates had moved downward. Average hourly earnings of all wage-earners in the 25 manufacturing industries combined were 6.2 per cent lower in the last quarter of 1931 than in the same quarter of 1930 and 7.8 per cent lower than in the same quarter of 1929. The largest relative decline between the fourth quarters of 1929 and 1931 in average hourly earnings in the separate manufacturing industries covered in the Conference Board's surveys amounted to 14.0 per cent."

Money, Prices, Credit, and Banking

Banking. By FREDERICK A. BRADFORD. (New York: Longmans Green. 1932. Pp. viii, 499. \$3.00.)

One of the Longmans' economic series prepared under the editorship of Professor Bogart, this is, in addition, the second contribution of the author to the series. His text on money, published in 1928, was accorded a favorable reception; and this work will fare fully as well, for these twin volumes represent contributions to available textual material.

The 21 chapters of *Banking* fall into four fairly well-defined parts. The first includes in its five chapters of background and foundation many of the better features of older texts along with essential new features. Thus we find central banking given a place in "The typical banking system." In addition, certain indispensable accounting fundamentals are treated, such as the ratio of net worth to deposits, which the general run of texts overlooks.

Having brought the account of banking down to 1913, the author develops another group of six chapters, which goes into banking in a more intensive way. In the analysis of deposits the acute problem of investment of both demand and time deposits is taken up in a manner that places the subject on firmer ground than any preceding text has given it. There is also distinct merit in the chapter "Reserves against deposits," for it gives separate treatment of primary and secondary reserves while taking account of the weaknesses of the present reserve system, including those brought out in the Report of the Committee on Bank Reserves of the Federal Reserve System.

Then follows an excellent chapter in which secondary reserves and investments come in for further consideration. Here the text is again a distinct improvement over most predecessors, for it considers a phase of bank management which has been the source of vast losses to depositors in recent years. The treatment of "Loans and discounts" includes analysis of borrowers' statements which should have been more fully developed, but the same criticism does not apply to the excellent discussion of "Deposits, reserves and loans," for the author goes rather

fully into the divergent conclusions of Professors Phillips and Lawrence respecting the amount a bank within a system can loan "on the basis of a \$1,000 surplus reserve." It should be said that Professor Bradford follows Rodkey's treatment with, perhaps, some improvement over the latter.

Two well written chapters on foreign exchange are thrown in between "Deposits, reserves and loans" and "The bank statement," an arrangement which could have been improved by bringing in foreign exchange after "The bank statement" and "Bank earnings and expenses" and along with the chapters relating to functions. Unfortunately, the treatment of "The bank statement" leaves something to be desired from an accounting angle and the instructor will find it necessary to supplement here, for this is a subject which cannot be slighted with safety. However, the deficiency is somewhat offset by an excellent treatment of "Bank earnings and expenses."

A third group of chapters considers trust functions, investment banking functions, and agricultural credit. The treatment of these indicates a grasp of recent developments and tendencies. Thus we find the author saying that "the sales force is given frequent and *careful instruction*¹ concerning the details and desirability of each new issue. . . ." Multitudes of investors would take exception to this, but the author saves himself by continuing, ". . . in order that it may be imbued with the knowledge and *enthusiasm*¹ necessary to the disposal of the securities to investors." There is brief treatment of bank bond departments and investment affiliates, though the author makes it clear that he is aware of recent disclosures respecting both, an observation which also applies to the chapter on "Agricultural credit."

The final group of chapters includes "Recent banking changes" in which Professor Bradford refers to the "manifest advantages" of branch banking and takes the position that "branch banking should be permitted to develop—where such an arrangement would furnish the most efficient banking service." Here, also, is substantial material relating to consolidation, failures and needed legislation. But even more valuable is his treatment of "Federal reserve banking development," wherein he sets forth the "announced policy of 1923," the failure to adhere thereto and the consequences, particularly since 1927. He leaves one with the impression that departure from the sound principles laid down in 1923 goes far toward explaining the inflation of security prices and the subsequent collapse. The final chapter includes a short but useful account of the Bank for International Settlements.

The book is remarkably free from minor deficiencies though one appears, at page 41, where surplus is represented as "earnings which have

¹ Italics are mine.

been retained in the business," thus overlooking paid-in surplus. The definition of eligible paper is hardly adequate. There is an excellent bibliographical note at the conclusion of each chapter.

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NEW BOOKS

ALLING, N. D. *Modern developments in banking: the federal reserve system and other articles on the control of credit.* (New York: Bankers Pub. Co. 1932. Pp. 105. \$1.)

ANDERSON, B. M., JR. *The Goldsborough bill and the government security purchases of the federal reserve banks.* Chase Econ. Bull., vol. xii, no. 2. (New York: Chase National Bank. 1932. Pp. 24.)

———. *Proposed banking legislation: the Glass bill and the federal reserve proposal to base member bank reserves upon "velocity" of deposits.* Chase Econ. Bull. vol. xii, no. 1. (New York: Chase National Bank. 1932. Pp. 37.)

ASCH, S. *Monnaie et finance: le rôle de la Banque des Règlements Internationaux après l'étalon or.* (Paris: Alcan. 1932. Pp. vii, 132. 12 fr.)

BRADY, J. E. *Bank management of decedents' estates.* (New York: Banking Law Journal. 1932. Pp. 500. \$6.50.)

BRESCIANI-TURRONI, C. *Le vicende del marco tedesco.* Annali di Economia, vol. VII. (Milano: Università-Bocconi. 1931. Pp. xxiv, 596. L. 100.)

The author of this history of German currency inflation had opportunities which few foreigners can have had for direct observation of what was happening. He was on the staff of the Reparation Commission sitting in Berlin. Afterwards when the Committee of Guarantees set up a control over exports, he was put in its charge. Still later he was one of the economic advisers in the office of the Agent-General.

His book presents a wealth of information on the relation of the monetary development to the output of goods, to exports and imports, to governmental budgets, and to the fortunes of economic classes within the Reich. As far as he can make it so, it is a study purely of economic developments, and he disclaims the attempt to discuss "political, psychological, moral and intellectual" factors and aspects. This endeavor insures a certain consecutiveness of economic reasoning, but it inevitably breaks down whenever the motivation of critical actions has to be considered, as for instance in the discussion of the final collapse of the mark.

The work suffers somewhat from being based on articles published from time to time. None the less it maintains a judicious spirit and at various points will be considered authoritative.

R. F. FOERSTER

D'ANDREA, O. *Il credito agrario in Italia e all'estero.* (Macerata: Stab. Cromo. Tip. Commerciale. 1931. Pp. 50.)

DAVIS, E. *The use of building and loan associations in company programs for employee savings and investment.* (Princeton: Princeton Univ. Industrial Relations Section. 1932. Pp. iv, 48.)

———. *The use of credit unions in company programs for employee savings and investment.* (Princeton: Princeton Univ. Industrial Relations Section. 1932. Pp. ii, 43.)

DEL VECCHIO, G. *Grundlinien der Geldtheorie*. (Tübingen: Mohr. 1930. Pp. xii, 158. M. 11.)

In his translation of this work, Dr. Otto Weinberger has sought to make the studies of the Italian economist at Bologna available to a wider circle of readers. It is a condensation and unification of numerous articles appearing over a number of years in the *Giornale degli Economisti*. Since all historical illustrations, as well as graphs and examples, have been omitted, we are dependent of the stern logic of abstract theory. Herein lies both the strength and weakness of his presentation.

The quantity theory of money is found defective since it does not take into account production costs of money, and because the quantity of circulating goods is erroneously assumed to be of known magnitude. Since also the quantity of money in a given market is a *fund* and the quantity of goods a *flow* of goods and services, comparisons are difficult, if not out of the question. Valid only in a definitely limited market, this theory is reduced to a hypothetical abstraction inasmuch as the quantity of circulating goods remains an unknown factor of the money problem. Considerable space is devoted to an analysis of bank credit and the rate of discount but Del Vecchio is noncommittal as to controversial questions regarding the degree to which credit may be expanded and with regard to extent to which prices may be stabilized. He rejects emphatically the contention that possibility of credit expansion has no limits, since this extension of credit results in an increase in the price level and this in turn results in an increased demand for circulating media.

Bordering on dogmatic assertions are the statements that demand for credit is not a cause of the rise of the rate of discount, but rather that the interest of the speculator in anticipating impending price changes is of prime influence. Is not the speculator's demand curve a part of demand in general? To weigh separately the speculator's influence would prove to be a difficult if not impossible task. In his concluding chapter the author takes issue with those who hold that a lower price level following a relative shortage of money is the most important factor tending to restore a disturbed equilibrium in foreign trade. A lower price level is simply a stimulus to the restoration of a favorable trade balance by increasing exports and decreasing imports.

WALTER E. ROLOFF

DE STEFANI, A. *La deflazione finanziaria nel mondo: la vendetta dei fatti*. (Milan: Frat. Treves. 1931. Pp. vii, 348. L. 20.)

DIEHL, K., and others, editors. *Wirkungen und Ursachen des hohen Zinsfusses in Deutschland*. (Jena: Fischer. 1932. Pp. x, 928. Rmk. 46.)

DOUGLAS, C. H. *The monopoly of credit*. (London: Chapman and Hall. 1931. Pp. 128.)

EDWARDS, G. W. *Principles of banking and finance*. (New York: Ronald. 1932. Pp. xiv, 612. \$4.)

FETTER, F. W. *Monetary inflation in Chile*. (Princeton: Princeton Univ. Press. 1931. Pp. xiii, 213. \$2.50.)

This is one of the studies of the Princeton International Finance Section. It is an admirable account of the monetary and banking legislation of Chile through 1926. One page is devoted to events since then. The author, as a member of the Kemmerer Commission, had unusual opportunities in

Chile to interview persons who had played a part in the activities described and to get documentary material. As a result the history is given with uncommon attention to the economic, political, and social background of the legislation.

The first issue of inconvertible paper money occurred in 1865 during the war with Spain. The long period of inflation started in 1878 with the suspension of specie payments, due fundamentally to poor government finance and unsound banking. The War of the Pacific increased the inflation in 1879 and 1880. The Civil War in 1891 added still more paper. After various attempts, conversion was effected in 1895 into a gold standard with the peso equal to 18 pence. This lasted for three years. After that there was further inflation during the years 1898 to 1907 due to congressional irresponsibility and also more inflation during the World War. The resumption finally took place in 1926 when the peso was made equal to six pence, a central bank was established and the general banking law improved. The long continued inflation, is explained by the fact that the conservative aristocrats who controlled the country were landholders heavily in debt, who benefited by the depreciation of the peso.

The author mentions the lack of statistics. It is particularly serious in the case of index numbers of Chilean prices needed to give the internal value of the peso. In some cases, evidence is presented about internal price changes, but there is no continuous series until 1913. So he depends on the external value as shown by the price of sterling exchange. He might well have tested the series of external and internal values after 1913 to see the degree of correspondence between them. In using sterling exchange as a measure of the value of the peso, no account is taken of the depreciation of sterling in terms of gold during the war. In another place the exchange rates on New York are given from 1913 on, but no comparison is made with the sterling rates.

Another serious lack is in the statistics of the balance of international payments. The only figures given are for the exports and imports of goods including gold and silver. It would seem to be possible to construct a rough series using these figures along with estimates of the invisible items based on the records of public borrowing and the reports of the foreign nitrate and copper companies.

From the theoretical standpoint it is of interest to note the explanations of the factors other than the quantity of money that must be considered in accounting for the changes in value of the peso; the relation of the unfavorable balance of trade to inflation; and the curious situation in which the gold reserve was more than equal to the total value (as shown by the exchange rate on gold standard countries) of all the outstanding paper money.

JAMES D. MAGEE

GALLI, R. *Il saggio di sconto: studio sulla economia e sulla politica del credito*. (Firenze: Poligrafica Universitaria. 1931. Pp. 395. L. 30.)

GALVARRIATO, J. A. *El Banco de Espana: constitucion, historia, vicisitudes y principales episodios en el primer siglo de su existencia*. (Madrid: Banco de Espana. 1932. Pp. 416.)

GREGORY, T. E. *The gold standard and its future*. (London: Methuen. 1932. Pp. 115.)

HAHN, A. *Volkswirtschaftliche Theorie des Bankkredits*. (Tübingen: Mohr. 1930. Pp. 156.)

This is the third edition of a work which appeared first in the year 1920 and was republished in the same form in 1924. The author has thoroughly revised the work and has taken full account of the continental banking history of the last eight years. His fundamental theories remain unchanged. He approaches the study of banking under the assumption of society furnishing a credit without money and rejects, therefore, as faulty older assumptions that banks loan money or goods or purchasing power. Banks create credits through the simple mechanism of creating simultaneously new debtors and new creditors. He examines in detail the control devices for checking this money-less currency and shows that for Europe, at least, it is useless to speak any longer of liquidity of banks in the sense of assuming that note circulation could ever be redeemed in metallic form. "Reduction of notes is possible only when they are not desired." Formerly notes could be redeemed because they affected only a small part of the total quantity of notes whenever one or another small bank became insolvent. But this condition no longer obtains. It was natural, therefore, that states should limit more and more the right to note issue until in practically all cases that right has been restricted to one central institution.

It seems regrettable that in a study elaborating so fully many points that are perfectly self-evident the author should have condensed into a few passages his chapter on the limits to inflationary credit expansion.

He finds that the possibility of this inflation is limited to a greater degree than is frequently assumed. In the first place, the rise of foreign exchanges is a resistance point and secondly the rise in price level leads to mistrust in the purchasing power of a nation's currency. This in turn leads to a great shortage of money and in case the central bank seeks to keep down the rate of interest new doses of inflation are necessary until finally the whole economic system collapses. Incidentally, he criticizes sharply the policy of the German Reichsbank for not raising the rate of discount in 1922. It is further held to be erroneous that inflationary credit expansion in the course of time occurs only sporadically. The development of German economic life since 1870 may be viewed as a single era of constantly increasing credit inflation. And this inflation is not harmful except when carried to great extremes.

WALTER E. ROLOFF

KILBORNE, R. D. *Principles of money and banking*. 3rd ed. (New York: McGraw-Hill. 1932. Pp. xxii, 591. \$4.)

LEFEVRE, R. *La circolazione metallica nel Regno d'Italia, 1862-1930*. (Rome: Ist. Poligrafico dello Stato. 1931. Pp. 73. L. 5.)

MACKENZIE, K. *The banking systems of Great Britain, France, Germany and the United States of America*. (New York: Macmillan. 1932. Pp. 259. \$1.40.)

MOEN, R. O. *Rural credit unions in the United States*. (Raleigh: Edwards and Broughton. 1931. Pp. 137.)

SAWYER, R. A., compiler. *The Bank for International Settlements: a list of references*. (New York: N.Y. Public Library. 1932. Pp. 16.)

SCHACHT, H. *La stabilizzazione del marco*. Translated by S. SCALFATI. (Milan: Frat. Treves. 1931. Pp. xlv, 270. L. 20.)

SCHUMANN, C. G. W. *The world depression: South Africa and the gold standard*. (Cape Town: Juta and Co. New York: Stechert and Co. 1932. Pp. vi, 153.)

WAGEMANN, E. *Monetary and credit reform*. (Berlin: Author. New York: Virgil Jordan, c/o McGraw-Hill. 1932. Pp. 64.)

This deals primarily with the monetary difficulties in Germany, but it has a wider interest for those engaged in the study of monetary problems.

WAYLAND, A. *Are our banks betraying us?* (New York: Anvil Press. 1932. Pp. 17. 25c.)

A brief discussion of the hardships incurred through the calling of loans by banks in order to secure greater "liquidity." Banks are criticized as the chief hoarders. The author suggests a mortgage moratorium.

WOODWARD, D. B. and ROSE, M. A. *A primer of money*. (New York: McGraw-Hill. 1932. Pp. xv, 261. \$2.)

The purpose of this book is to give the layman the facts concerning money, banking and finance in plain, understandable English. The first part is devoted to a historical sketch of monetary and banking development, while Part II deals with modern monetary problems. A number of charts and plates are scattered through the book, and a statistical appendix and glossary follow the text. The authors have also appended a haphazard list of suggested readings which would be the death of any layman who conscientiously perused the lot.

Messrs. Woodward and Rose have sedulously avoided taking sides on disputed questions, going, apparently, on the wholly unsound and dangerous assumption that the layman, if presented with the facts, is capable of reasoning to correct conclusions. Mr. D. H. Robertson recently referred to the study of money as "a field of appalling intellectual difficulty," and it is hardly fair to the man in the street to expect him to arrive at correct judgments regarding monetary and financial problems on so slim a basis as this little volume affords. One feels that the authors might have given him a little assistance.

The authors "earnestly hope for the scorn of pedants." I regret that I am unable completely to fulfill this hope. While they have fallen short of their aim, which was to achieve the impossible, they have made a good attempt.

FREDERICK A. BRADFORD

Un estudio del costo de la vida en Mexico. (Mexico: Ferrocarriles Nacionales de Mexico, Oficina de Estudios Economicos. 1931. Pp. 104.)

Member bank income and expenses for the calendar year 1931: an analysis of the operating costs of 226 member banks in Federal Reserve District I grouped according to percentages of time deposits to gross deposits. (Boston: Federal Reserve Bank of Boston. 1932. Pp. 4.)

The £ and the \$ or gold debts and taxes. (Paris: Vendome Press. 1932. Pp. 128.)

The fundamental cause of the present crisis is the attempt to collect debts in gold which were contracted at war-paper prices. This is true in a special sense of the "non-productive" political debts owed the United States. The payment of these debts causes gold to flow to America where

it "stagnates," and so prices fall and loans become frozen. The fall of prices discourages production and so reduces government revenues. The practical men in charge of the governments try to balance their budgets by increasing consumption taxes (including import duties). These taxes on consumption "dry up" demand and prices fall still further. Thus, according to the anonymous author, fiscal difficulties become a part of the vicious circle of deflation and falling prices. However, a point will soon be reached where production is so small and credit so frozen that governments will be compelled to turn from taxes to paper inflation; and they will not be able to control the inflation.

England should join with the Continent in demanding a revision of the debts owed the United States on the basis of the change in the value of the dollar since the debts were contracted. So far as the British debt is concerned, a "large portion, if not most or all," has already been paid in real value (p. 85).

England, France, and the United States should establish an international currency stabilized in terms of commodities at a higher price level. This currency should be redeemable in varying quantities of both silver and gold; but no effort should be made to maintain a constant ratio between the two metals. On such a basis, debts could be liquidated.

Taxes on consumption should be replaced by taxes on economic rent. It is impossible to expand markets so long as taxes curtail the consuming power of the masses.

The author does not believe his suggestions will be followed. He thinks the depression will continue until there is a general collapse, and that it will be followed by uncontrolled paper inflation and then Communism—perhaps after sporadic attempts at Fascism.

The argument of the book is not closely knit, and the facts are not always stated accurately; but the style is quite entertaining.

ELMER WOOD

Report of the Gold Delegation of the Financial Committee. (Geneva: League of Nations. Boston: World Peace Foundation. 1932. Pp. 83. 60c.)

Public Finance, Taxation and Tariff

NEW BOOKS

ADDISON, T. G. *Reorganization of the financial administration of the Dominican Republic.* (Washington: Brookings Inst. 1931. Pp. x, 105.)

ALEXANDER, M. W. *A realistic approach to the problem of intergovernmental debts.* Address delivered at the 16th annual meeting of the National Industrial Conference Board on May 19, 1932, in New York City. (New York: National Industrial Conference Board. 1932. Pp. 18.)

ALOISINI, T. *Introduzione alla studio della imposta di ricchezza mobile: legislazione; principii generali.* (Naples: Stab. Tip. N. Jovene. 1931. Pp. 80. L. 6.)

BERNARDET, P. A. *How foreigners are taxed in France.* Edited by O. C. ZILISCH. (Washington: Brentano's. 1931. Pp. xiii, 168.)

BETTERS, P. V., editor. *State centralization in North Carolina.* (Washington: Brookings Inst. 1932. Pp. xi, 261. \$2.)

Includes discussion of taxation and state supervision of local finance.

- BROOKS, C. *This tariff question*. (London: Arnold. 1931. Pp. 271.)
- BUEHLER, A. D. *General sales taxation: its history and development*. (New York: Business Course. 1932. Pp. ix, 378. \$5.)
- D'ALBERGO, E. *La crisi dell'imposta personale sul reddito: la riforma dell'imposta nel Belgio*. (Padova: A. Milani. 1931. Pp. 165. L. 20.)
- DE STEFANI, A. *Manuale di finanza*. (Bologna: N. Zanichelli. 1931. Pp. xiv, 334. L. 30.)
- FICK, H. *Finanzwirtschaft und Konjunktur*. (Jena: Fischer. 1932. Pp. xvi, 110. RM. 6.)
- FITCH, E. M. *Britain's new tariff policy*. Rawleigh Foundation bull., vol. i, no. 2. (Freeport, Ill.: Rawleigh Foundation. 1932. Pp. 34.)
- FOSSATI, E. *Le conseguenze finanziarie della guerra: il problema delle riparazioni e i debiti alleati*. (Padova: Cedam. 1931. Pp. vii, 423. L. 50.)
- GRIES, J. M. and FORD, J., editors. *Home finance and taxation: reports of the Committees on Finance and Taxation*. (Washington: President's Conf. on Home Building and Home Ownership. 1932. Pp. xiv, 278. \$1.15.)
- GRIZIOTTI, B. *Elementi di scienza delle finanze ad uso delle scuole*. (Firenze: Bemporadi. 1932. Pp. 255.)
- HAWLEY, G. M. B. *The public lands of the United States: a public trust*. (Tucson, Ariz.: Author. 1931. Pp. 23.)
- LEFFLER, G. L. *Wisconsin industry and the Wisconsin tax system*. Bull. no. 3, 2nd ed. (Madison: Univ. of Wisconsin Bureau of Bus. and Econ. Research. 1931. Pp. 124.)
- MORSS, E. *The proposed import tax on copper a menace to our copper industry*. (Boston: Simplex Wire and Cable Co. 1932. Pp. 11.)
- MORSELLI, E. *Compendio di scienza delle finanze*. (Padova: Ist. delle Ed. Accademiche. 1931. Pp. 320. L. 15.)
- MURPHY, L. S., HERBERT, P. A. and DEVRIES, W. E. *Digest of forest tax laws in the United States in effect January 1, 1932*. Progress rep. of the Forest Taxation Inquiry, no. 16. (Washington: Supt. Docs. 1932. Pp. 73, mimeographed.)
- NICHOLS, P. *Taxation in Massachusetts*. (Boston: Financial Pub. Co. 1932. Pp. 196.)
1932 supplement to 1922 edition. Contains legislation through 1931, decisions of the Supreme Court of the United States affecting taxation by the states, decisions of the Supreme Judicial Court of Massachusetts affecting taxation, decisions of the Massachusetts Board of Tax Appeals, and rulings of the commissioner of corporations and taxation to February 1, 1932.
- RÈPACI, F. A. *Il costo della burocrazia dello stato*. (Torino: La Riforma Sociale. 1932. Pp. 38.)
- ROTTSCHAEFER, H. *Selected cases on the law of taxation*. 2nd rev. ed. (Chicago: Callaghan. 1932. Pp. xxv, 648.)
- SCHMÖLDERS, G. *Die Ertragsfähigkeit der Getränkesteuern: vergleichende Übersicht über die Voraussetzungen der Alkoholbesteuerung im Deutschen Reich, in Grossbritannien, Frankreich, der Schweiz, Dänmark und den Vereinigten Staaten*. (Jena: Fischer. 1932. Pp. xii, 242. RM. 11.)
- SELIGMAN, E. R. A. and SHOUP, C. S. *Informe sobre el sistema tributario de Cuba*. Translated by J. E. CORTINAS Y GALVEZ. (Havana: Carasa. 1932. Pp. 469.)
- STAMP, J. *The financial aftermath of war*. (New York: Scribner's. 1932. Pp. 149. \$1.75.)

TAUSSIG, F. W. and WHITE, H. D. *Some aspects of the tariff question: an examination of the development of American industries under protection.* 3rd enl. ed. (Cambridge: Harvard Univ. Press. 1931. Pp. xiii, 499. \$4.)

In revising and enlarging *Some Aspects of the Tariff* Professor Tausig and Dr. White have performed a distinct service. Long a standard work on both the theoretical and practical aspects of the tariff, particularly as it applies to American industry, the new edition with the material brought up to date becomes distinctly more usable for courses dealing with the tariff problem.

In form, method, objectives and subject matter (with the exception of a new chapter on the rayon industry) the new edition differs little from the earlier work. The first four parts of the book are presented substantially as they appeared in the 1915 edition. Part V is entirely new, consisting of a series of chapters on the development of sugar, iron and steel, silk, rayon, cotton manufacturing, wool, woollens and worsteds, in the period from 1910 to 1930. As in the earlier parts, the changes in the conditions of production in each industry are studied and the effects of recent tariff changes on the industry and on the country are weighed.

NORMAN S. BUCK

WHITNEY, R. *Statement before the Committee on Finance of the United States Senate in regard to certain sections of the Revenue act of 1932.* (New York: N. Y. Stock Exchange. 1932. Pp. 24.)

Discusses proposed taxes on transfers or sale of stock.

WICK, H. *Die indirekte Progression: ein Beitrag zur Untersuchung der formalen Gestaltung von Steuertarifen.* (Jena: Fischer. 1932. Pp. x, 153. RM. 8.)

Cost of government in the United States, 1929-30. (New York: National Industrial Conference Board. 1932. Pp. xii, 167. \$3.)

Customs regulations of the United States prescribed for the instruction and guidance of customs officers. Ed. of 1931. (Washington: Supt. Docs. 1932. Pp. 975. \$2.)

Covers foreign and coasting trade by sea and waters of the frontiers, customs relations with contiguous foreign territory, customs relations with insular possessions, Panama Canal Zone, and Guantanamo Bay Naval Station, and importations by mail.

Federal and state tax systems. 3rd ed. (Chicago: Commerce Clearing House. 1932. Pp. 145. \$10.)

For the past several years there has been an increasingly persistent demand by business men, tax and other government officials, and the public in general for authoritative information concerning national, state, and local public finance and taxation. This need has been partially filled by voluminous tax commission reports and studies by private organizations and individuals; but still there has been no material published in a comprehensive form. The Tax Research Foundation has made a unique contribution with the third annual edition of the present volume.

Containing 145 pages of well-organized charts and tables, this publication depicts the tax systems of the United States, of the 48 states, and of 23 foreign countries. The first section of 60 pages outlines in detail the United States tax systems—national, state, and local. All the graphs are uniform in arrangement, thus facilitating their use both in securing specific information and in making comparisons. The various columns show the

name of the tax, legal citations, type of payments required, basis and measure of the tax, the rates, the administrative machinery, disposition of funds, and dates of computation, of making returns, and of making payments. Copious footnotes augment and supplement the columnar information, thus offsetting an important limitation to graphic presentation.

The second division, requiring approximately 35 pages, is devoted to the tax systems of 23 foreign jurisdictions. Some tables included are those of Germany, Hungary, Iceland and Venezuela, and parts of Australia and Canada. It appears unfortunate that tabulations for the other great powers were not made. Editorial notes indicate, however, that the work will be extended as time and other factors permit.

The remaining 49 pages, constituting the third section, deal with the "Status of certain tax matters in the various states." This, to many, will appear to be the most suggestive part, especially in projecting improvements in present state tax systems. At a single glance, a comparative study may be made of the several property, income, inheritance, chain store, public utility, or sales taxes; or the work of the various tax commissions and the tax collections of the states in 1930 may be reviewed in a brief period.

Besides the limitations set up by summary presentation, the accuracy of such a study must suffer from the fact that legislatures constantly are changing tax laws and courts are rendering decisions which alter their effect. It would be next to impossible to keep the graphs up-to-date at all times. The publication of annual editions, however, does much to offset this weakness. A minor restriction on the use of the volume is its size—11½ x 15 inches. Unfortunately, the graphs must be large.

T. F. HAYGOOD

Financial statistics of state governments: 1930. (Washington: Supt. Docs. Pp. 8.)

Sales taxes: general, selective and retail. (New York: National Industrial Conference Board, 1932. Pp. ix, 79. \$2.)

Die steuerliche Belastung des Haushaltsbedarfs durch Verbrauchsabgaben und Zölle, mit einem Beitrag zur Phasenpauschalierung der Umsatzsteuer. Edited by Statistisches Reichsamt. Einzelschrift zur Statistik des Deutschen Reichs, no. 21. (Berlin: Reimar Hobbing. Pp. 328. RM. 18.50.)

Population and Migration

Bevölkerungsentwicklung und Wirtschaftsgestaltung zur Frage der Abnahme des Volkswachstums. By PAUL MOMBERT. (Leipzig: Hans Buske. 1932. Pp. vii, 77. RM. 4.30.)

Professor Paul Mombert is a recognized authority on population problems. Among his outstanding works is his book on population theory *Bevölkerungslehre* (Jena, 1929). This new volume contains a stimulating analysis of the interaction between population-growth and the economic process as a whole. That there exists a relationship between the two is rather obvious: certain economic stages are conditioned on a certain density of population. An increase in numbers has long been considered as a prerequisite to economic expansion and as being conducive to a higher

standard of living. But the recent slackening in the growth of population has been welcomed by many as a likely relief in the unemployment situation; and the spectre of "over-population" is ever-present, although this condition is relative to other factors, and always "temporary," as the author points out.

It was in a dynamic society only, one with steadily increasing numbers, that Ricardo's laws of rent and diminishing returns could be formulated. But if the present decreasing trend in population-growth were to become more pronounced or permanent, how would that affect economic life and general standards? This question the author tries to answer: under his pen it becomes a matter of fascinating speculation.

Malthus' contention that an increase in the means of subsistence will always be followed by an increase in population is no longer shared by present-day economists. Experience has shown the population in most countries to remain far below the potential food supply. Nor does Karl Marx's population-law of the "inevitable oversupply of labor under capitalism" and the concept of the "industrial reserve army" find much credence outside of the ranks of the socialists. John Bates Clark attributes economic expansion to five causes: increase in population, accumulation of capital, changes in the methods of production, innovations in the organization of industry, and changes in the wants of the consumers. Mombert considers all of these factors, and discusses very poignantly the influence of population increase on the relative supply of labor, on purchasing power, on mass production and standardization, on capital accumulation, and on the relative share of domestic and foreign markets. If some day the entire inhabitable earth should become as densely populated as western Europe, I can see no reason why the old countries should "attempt to provide for their populations chiefly with products from their own soil," as the author intimates (p. 72). I would strongly agree with his subsequent admission that "there would be no reason to anticipate a decrease in world-wide exchange of goods" (p. 74).

Fluctuations in population are controlled by factors other than those of a purely economic order, such as social, biological or racial influences. Even religious considerations play a part, as in the Orient. Economic changes, on the other hand, may take place irrespective of an increase or decrease in population; they may be due to inventions, technical or financial, or even political causes. The author's brilliant analysis of the interrelation between population growth and economic expansion therefore remains somewhat inconclusive in its final results. The question as to which one of the two factors is of primary motivating influence upon the other is about as hard to answer as the old biological question "Which came first, the egg or the hen?"

JOHN RICHARD MEZ

University of Oregon

NEW BOOKS

- AVANCINI, M. *Statistica del movimento turistico in Italia: anno 1928*. (Rome: Castoldi. 1931. Pp. 133.)
- BURGDÖRFER, F. *Volk ohne Jugend*. (Berlin: Kurt Vowinkel. 1932. Pp. xvi, 448. RM. 9.50.)
- GINI, C. *Le basi scientifiche della politica della popolazione*. (Catania: Stud. Ed. Moderno. 1931. Pp. vi, 342. L.30.)
- LAMSON, G. *A study of agricultural populations in selected Vermont towns*. A report. (Burlington: Vermont Commission on Country Life. 1931. Pp. 69.)
- PAGANI, A. *Problemi demografici*. (Piacenza: Fed. Consorzi Agrari. 1931. Pp. 80. L.12.)
- Statistics of migration: definitions; methods; classifications*. Stud. and rep., ser. N (statistics), no. 18. (Geneva: Internat. Labour Office. Boston: World Peace Foundation. 1932. Pp. iv, 152. \$1.)

Social Problems and Reforms

- Highway Traffic*. By HAROLD M. LEWIS and ERNEST P. GOODRICH. Regional Survey, Vol. III. (New York: Regional Plan of N.Y. and Its Environs. 1927. Pp. 172. \$3.00.)
- Transit and Transportation*. By HAROLD M. LEWIS, WILLIAM J. WILGUS and DANIEL L. TURNER. Regional Survey, Vol. IV. (New York: Regional Plan of N.Y. and Its Environs. 1928. Pp. 226.)
- Buildings: Their Uses and the Spaces about Them*. By THOMAS ADAMS, WAYNE D. HEYDECKER and EDWARD M. BASSETT. Regional Survey, Vol. VI. (New York: Regional Plan of N.Y. and Its Environs.)
- Neighborhood and Community Planning*. By CLARENCE ARTHUR PERRY, WAYNE D. HEYDECKER, ERNEST P. GOODRICH, THOMAS ADAMS, EDWARD M. BASSETT and ROBERT WHITTEN. Vol. VII. (New York: Regional Plan of N.Y. and Its Environs.)
- The Graphic Regional Plan: Atlas and Description*. Regional Plan, Vol. I. (New York: Regional Plan of N.Y. and Its Environs.)
- The Building of the City*. By THOMAS ADAMS, HAROLD M. LEWIS and LAWRENCE M. ORTON. Regional Plan, Vol. II. (New York: Regional Plan of N.Y. and Its Environs.)

Over nine years were devoted to the survey of the New York metropolitan region and to the preparation of the graphic regional plan. The regional survey is issued in eight volumes, of which four were reviewed in the *American Economic Review* in the issue of March, 1930, pages 155-158. The two volumes of the Regional Plan (which together comprise over 1,000 pages) constitute a résumé in graphic form and a co-ordination and analysis of the findings of preceding volumes, subjected both to a philosophy of city growth and to detailed applications, district by district.

No volume in the series is devoted exclusively to economic factors for each problem is considered with reference to its social setting and to engineering and planning. Of primary interest to economists in Volume III of the Survey would be the estimates of future growth of the city and its environs, the relation of motor buses and surface transit lines to highway traffic, periodic variation of traffic, length of haul, estimates of future traffic and the recommendations for relieving traffic congestion and for developing new facilities.

The transit and transportation problem is divided into a study of present conditions and of types of transit facilities. Rapid transit and the railroad transportation system as well as waterways and airways are studied in detail, and estimates of future traffic are made. A section of this volume is devoted to a study of new port and industrial areas and the possibilities of developing the Hackensack Meadows. Estimates are submitted on the amount and rate of increase required in each type of transit and transportation.

Volume VI on *Buildings: Their Uses and the Spaces about Them* distinguishes between public and private buildings and public and private spaces and studies the bulks of each with reference to population distribution and transit and traffic facilities. An admirable chapter is devoted to economic factors in connection with high building densities. Problems of the control of building bulks and uses are considered in three chapters. Eleven chapters are devoted to housing conditions in the New York region, one being entitled "General economic aspects of the problem in the New York region" and another "Conditions and trends in New York City." The third monograph on "The control of building heights, densities and uses by zoning" deals with the principles of good zoning legislation and their application in New York City and the outside region. Existing enabling acts for zoning within the region are analyzed and followed by suggestions for a model law.

Neighborhood and Community Planning comprises a useful original study of the neighborhood unit, an equally original contribution on sunlight and daylight for urban areas and a third study dealing with the planning and subdividing of land for primary uses and for building. The latter monograph deals also with the principles of good subdivision, the planning and development of self-contained communities and the laws of planning unbuilt areas.

The first of the two volumes of the Regional Plan comprises an atlas and description of the New York region. It contains proposals for the graphic regional plan, a section of 130 pages on ways of communication and 100 pages on land uses. Its conclusions cover electrification of trunk lines, unification of their management, creation and operation of belt lines, construction of express routes, elimination of grade crossings,

development of satellite industrial communities, and recommendations for future airports, parks, parkways and boulevards.

The masterpiece of the series is, as it should be, the final volume of the Regional Plan entitled *The Building of the City*. Of its authors, Thomas Adams has brought to his problem the background of years of thought and active practice in the field of city planning in England, Canada and the United States. He was able to view the problems of New York City with more philosophical detachment than has characterized earlier studies, and throughout the process utilized to the full the privilege of consultation with Charles Dyer Norton, the initiator of this study, who until his death was its guiding spirit, and also with Frederic A. Delano, the present chairman of the Committee, as well as with the other Committee members, Robert W. de Forest, John H. Finley, John M. Glenn, Henry James, George McAneny, Dwight W. Morrow, Frank L. Polk, Frederic B. Pratt and Lawson Purdy, and with scores of collaborators including Frederick P. Keppel, the late Nelson P. Lewis and others.

Part I begins with a study of planning traditions in America and the making and remaking of cities and towns in the New York region. Civic art is studied in relation to street planning and architecture as well as to work and living conditions. The individuality of communities and their common problems are analyzed. Part II on the guidance of building deals with proportions of building and open land; planning of new developments; zoning with reference to its scope, methods, social and economic basis, and standards; houses and neighborhoods; improvement of terminal facilities, and the fitting of streets to buildings. The opportunities for rebuilding are considered separately for downtown, midtown and Upper Manhattan, the Bronx, Brooklyn, Queens, and Staten Island, as well as for metropolitan New Jersey and the environs. It is affirmed that the "cost of carrying out any proposal in the regional plan is a cost substituted for one that will be made in any event and not an added cost. The need of guidance by planning is that of getting a basis for wise planning."

The Regional Plan Survey is completed with these ten volumes and the carrying out of the plan has been turned over to the Regional Plan Association of New York of which Mr. George McAneny, successor to the late George B. Ford, is now regional plan director. The *nunc dimittis* of the Committee is perhaps best expressed in the final paragraphs by Thomas Adams:

And so we arrive at the chief difficulty and the final word—to express individual wisdom in collective action. That is the great need, but how difficult to bring about and make effective in a community that glories in the strength of its individualism! And yet how essential for civic improvement! By education the standard of intelligence may be raised; by plans, pictures and ideas individual citizens may be inspired and provoked; but without unity and as-

sociation in citizenship, and the courage and passion that men may feel when acting in concert, what can we hope to achieve?

The Regional Plan is a beginning and the next step is education. We can only hope that education will develop foresight, that the greatness of the need will develop a passion for improvement, and that both these things will lead to unity of action so that the New York-New Jersey metropolitan region shall achieve unique distinction among great city-regions for the order and true economy, the balance and true dignity of its building.

There can be little doubt that this series of ten volumes is the most comprehensive and valuable urban study yet made in America. Its peculiar value, aside from this, lies in the continuous utilization of the services of engineers and of men with economic and sociological backgrounds in combination with the professional city planners. Many kinds of skills are represented in collaborative volumes abundantly illustrated with costly and elaborate diagrams, maps, graphs and tables. Useful general summaries precede each volume; recommendations are interspersed; tables of contents and indexes are unusually detailed.

It is a series which should be available in every university and municipal library, a constant book of reference for city planners, urban sociologists, engineers, public officials and economists. The Russell Sage Foundation, by underwriting nine years of comprehensive study by a large staff of competent professional men and technicians, has made a contribution to constructive thinking and action which is notable in the history of American philanthropic foundations.

JAMES FORD

Harvard University

NEW BOOKS

- BARNES, H. E. *Prohibition versus civilization: analyzing the dry psychosis*. (New York: Viking. 1932. Pp. 128. \$1.)
- BEARD, C. A. *A charter for the social sciences in the schools*. (New York: Scribner's. 1932. Pp. xii, 122. \$1.25.)
- BOGARDUS, E. S. *Contemporary sociology*. Companion volume to *History of social thought*. (Los Angeles: Univ. of Southern California Press. 1931. Pp. 483.)
- BOWLEY, A. L., and others. *The social and economic aspects of the drink problem*. (London: Victor Gollancz. 1931. Pp. 180.)
- BRANDT, L. *An impressionistic view of the winter of 1930-31 in New York City, based on statements from some 900 social workers and public health nurses*. (New York: Welfare Council of N. Y. City. 1932. Pp. x, 91.)
- BUTTS, F. M., and others. *Social adjustment through commercial education*. Proceedings of the Committee on Commercial Education, Geneva, Switzerland, 1929, and some later contributions. (New York: Pitman.)
- CABOT, C. Q. *The year of regeneration: an improbable fiction*. Sponsored by J. C. LAWRENCE. (New York: Harper. 1932. Pp. xv, 220. \$3.)
- CALCOTT, M. S. and WATERMAN, W. C. *Principles of social legislation*. (New York: Macmillan. 1932. Pp. xix, 416. \$3.)

- CROWTHER, S. *A basis for stability*. (Boston: Little Brown. 1932. Pp. ix, 360. \$3.)
- DUNCAN, H. G. *Backgrounds for sociology*. (Boston: Marshall Jones. 1931. Pp. xx, 831.)
- FANTINI, O. *La legislazione sociale nell'Italia corporativae negli altri stati*. (Rome: Albrighi Segati. Pp. 454. L.20.)
- FIELD, A. W. *Protection of women and children in soviet Russia*. (New York: Dutton. 1932. Pp. 241. \$3.)

Few people in western Europe and the United States appreciate the extensive advance being made by Soviet Russia in the position of women. In the opinion of the Soviet government, the protection and care of the mother, whether real or potential, and of her young child is fundamental to that position. This book gives an excellent picture of the attention accorded to the subject in Moscow today. The chapters which describe the crèche, its purposes and program as these influence the health and education of both the woman and the child, are especially commendable. They indicate the serious and scientific attitude taken by the Russians in this field.

The author is at her best when she stays close to her subject. Her analysis of the historical and ideological approach to the place of women and the attention given to them in Soviet Russia is vaguely and, at times, not too accurately conceived. Her interpretation is at least debatable. In the opinion of the reviewer, Mrs. Field underestimates the economic aspects of her subject. The criticism, if valid, affects only the opening chapters of the book, however, and does not detract from the body of the descriptive data. The book lacks documentation and it gives evidence of hasty organization and preparation. It is, nevertheless, entirely readable and should be interesting to students of sociology and education, as well as to everyone concerned about Soviet Russia. It presents a picture which has deserved far more treatment than it has hitherto received.

MILDRED FAIRCHILD

- FITE, E. D. *Government by coöperation*. (New York: Macmillan. 1932. Pp. 345. \$3.)

After an opening chapter on the coöperation of the states in forming the national government in 1789, the author takes up in turn coöperation between the national government and the states in such matters as agriculture; public health; prohibition; interstate coöperation in legislative, executive and judicial fields; departmental coöperation in municipalities, states and the nation; coöperation in business at home and abroad; and international coöperation in matters touching aliens, prizes, treaties and aviation.

- FRANZEN, R. H. *Influence of social and economic factors in the health of the school child*. (New York: American Child Health Assoc. 1932. Pp. xiv, 144.)
- GEMMILL, P. F., and associates. *Contemporary economic problems*. (New York: Harper. 1932. Pp. xv, 673. \$3.)
- GORSELINE, D. E. *The effect of schooling upon income*. A thesis. (Bloomington, Ind.: Indiana Univ. Graduate Council. 1932. Pp. 284.)
- GRIES, J. M. and FORD, J., editors. *House design, construction and equipment*. (Washington: President's Conf. on Home Building and Ownership. 1932. Pp. xvii, 325. \$1.15.)

- . *Slums, large-scale housing and decentralization*. (Washington: President's Conf. on Home Building and Home Ownership. 1932. Pp. xviii, 245. \$1.15.)
- HODGSON, J. G., compiler. *Planning for economic stability*. (New York: Wilson. 1931. Pp. 219.)
- HOLLANDER, J. H. *Want and plenty*. (Boston: Houghton Mifflin. 1932. Pp. 69. \$1.25.)
- JAMES, F. C. *The road to revival*. (New York: Harper. 1932. Pp. xv, 235. \$2.75.)
- KULP, D. H., 2ND. *Educational sociology*. (New York: Longmans. 1932. Pp. 607. \$3.50.)
- LEECH, H. *The paradox of plenty*. (New York: McGraw-Hill. 1932. Pp. xviii, 203. \$2.50.)
- MANGOLD, G. B. *Social pathology*. (New York: Macmillan. 1932. Pp. xxii, 736. \$3.)
- MIMS, M. and MORITZ, G. W. *The awakening community*. (New York: Macmillan. 1932. \$2.25.)
- NORTH, C. C. *Social problems and social planning: the guidance of social change*. (New York: McGraw-Hill. 1932. Pp. x, 409. \$3.50.)
- PEFFER, N. *Educational experiments in industry*. (New York: Macmillan. 1932. Pp. 207. \$1.50.)
- A study of adult education. Successive chapters treat of the history of this agency as carried on by corporations. The educational work of individual companies is synopsised. The concluding chapter on the value of vocational training is of special interest.
- PINTONI, V. and COSTANZI, G., editors. *Les habitations rurales en Europe*. Contribution to the Conférence Européenne d'Hygiène Rurale, Geneva, June 27, 1931. (Rome: Colombo. 1931. Pp. 52.)
- ROREM, C. R. and FISCHELIS, R. P. *The costs of medicines: the manufacture and distribution of drugs and medicines in the United States and the services of pharmacy in medical care*. (Chicago: Univ. of Chicago Press. 1932. Pp. xi, 250. \$2.50.)
- SMALL, N. J. *Some presidential interpretations of the presidency*. (Baltimore: Johns Hopkins Press. 1932. Pp. 208.)
- SMITH, T. M. *The unemployment problem: a Catholic solution from the viewpoints of ethics, history and social science*. (Milwaukee: Bruce Pub. Co. 1932. Pp. 237. \$2.)
- TRULL, E. *The administration of regulatory inspectional services in American cities*. (New York: Municipal Admin. Service. 1932. Pp. x, 184.)
- WILSON, R. S. *Community planning for homeless men and boys: the experience of sixteen cities in the winter of 1930-31*. (New York: Family Welfare Assoc. of America. 1931. Pp. xiv, 144.)
- La IV asamblea de la Asociación Internacional para el Progreso Social, Paris, octubre, 1931*. (Madrid: Soc. para el Progreso Social. 1932. Pp. 70.)
- Budget for dependent families or children: for use by social welfare agencies*. Cost of living studies compiled under the Heller Committee for Research in Social Economics. (Berkeley: Univ. of California. 1932. Pp. 36, mimeographed.)
- Child labor. Report of the Subcommittee on Child Labor, White House Conference on Child Health and Protection*. (New York: Century. 1932. Pp. xix, 592. \$5.)

Economic and business research in American colleges and universities. (New York: Business Research Council. 1932. Pp. 84.)

A survey or census of research in the fields of economics and business in 92 colleges during 1929-31. The report consists of three sections: (1) research projects; (2) recurring series of data compiled; (3) list of institutions included. The entries are briefly annotated. Under "money, credit and banking" are 53 projects listed. The committee sponsoring the report is composed of Donald R. Belcher, Professor C. O. Ruggles, W. J. Donald, and Professor J. H. Willits.

Rural government. Proceedings of the fourteenth American Country Life Conference, Ithaca, New York, August 17-20, 1931. (Chicago: Univ. of Chicago Press. 1932. Pp. viii, 164. \$2.)

Social planning in community chests and councils: underlying principles, executive technique, and methods of joint planning and action. (New York: Assoc. of Community Chests and Councils. 1931. Pp. 47.)

Vocational guidance. Report of the Subcommittee on Vocational Guidance, White House Conference on Child Health and Protection. (New York: Century. 1932. Pp. xxiii, 396. \$3.)

This volume contains chapters on counselling, curriculum work, junior employment service and an extended bibliography.

Insurance and Pensions

NEW BOOKS

CARROLL, M. R. *Unemployment insurance in Austria.* Pamphlet ser. no. 10. (Washington: Brookings Inst. 1932. Pp. 52. 50c.)

DUBLIN, M. *The amount of life insurance in the United States.* Misc. contrib., no. 11. (Washington: Committee on Costs of Medical Care. 1932. Pp. 14.)

HUEBNER, S. S., editor. *Modern insurance developments.* Annals, vol. 161. (Philadelphia: American Acad. of Pol. and Soc. Science. 1932. Pp. 284. \$2.)

JONES, F. R., compiler. *Digest of workmen's compensation laws in the United States and territories, with annotations.* 12th ed. (New York: Assoc. of Casualty and Surety Executives. 1931. Pp. xxv, 567.)

QUAID, W., WOLFENDEN, H. H. and PHILLIPS, G. H. *Three special lectures delivered in the Great Hall of the Chamber of Commerce of the State of New York on February 19, February 26 and March 4, 1932.* Howe readings in insur., no. 14. (New York: Insur. Soc. of N.Y. 1932. Pp. 47.)

SCHNEIDER, W. R. and CORDES, F. J., JR. *The law of workmen's compensation: rules of procedure and commutation tables.* 2nd ed. (St. Louis: Thomas Law Book Co. 1932.)

SIMONS, A. M. and SINAI, N. *The way of health insurance.* Pub. of Committee on Study of Dental Practice of Am. Dental Assoc., no. 6. (Chicago: Univ. of Chicago Press. 1932. Pp. 224. \$2.)

Report of the Committee on Statistics and Origin of Fires, May 26, 1932. (New York: National Board of Fire Underwriters. 1932.)

Two unemployment insurance debates. Resolved: that the several states should enact legislation providing for compulsory unemployment insurance. (New York: Noble and Noble. 1931. Pp. 106.)

Unemployment insurance: University of Wisconsin *versus* University of

Minnesota. Wisconsin plan of unemployment insurance: Franklin College, affirmative and negative.

Pauperism, Charities, and Relief Measures

NEW BOOKS

STUBBS, A. H., editor. *Financial and social success in welfare plans*. (Kansas City: Intercollegiate Press. 1932. Pp. 267.)

Socialism and Co-operative Enterprises

NEW BOOKS

- COLE, G. D. H. *Some essentials of socialist propaganda: a tract for the times*. Fabian tract no. 238. (London: Fabian Society. 1932. Pp. 19. 2d.)
- FISCHER, H. *Karl Marx und sein Verhältnis zu Staat und Wirtschaft*. (Jena: Fischer. 1932. RM. 4.50.)
- GAMBS, J. S. *The decline of the I.W.W.* (New York: Columbia Univ. Press. 1932. Pp. 268. \$4.25.)

Dr. Gambs's excellent study of the Industrial Workers of the World takes up the history of the organization where Professor Brissenden left off in 1917 and continues it to the present. In the book here reviewed the later history of the I.W.W. is divided into three periods. The first period, 1917-1922, was one in which the I.W.W. dissipated their energies in the defense of class-war prisoners and in fighting the growth of communism within their own ranks. The second period, 1922-1924, was marked by serious internal conflict and resulted in a party schism in 1924. The third period, 1924-1931, was marked by the decline in power and prestige of the I.W.W.

The book as a whole is an attempt to answer four important questions. First, "To what degree can an American working class organization hold fast to an ideal of revolutionary social change and at the same time attract a large and permanent following?" The author finds little evidence that the I.W.W. was able to build a strong organization under its theory of revolutionary social change. Second, "Is the theory of social change held by the I.W.W. fundamentally sound in spite of its apparent failures?" While it is true that any theory of social change that is successful is sound, the I.W.W. theory may not succeed because of the fact that changes may come about other than those contemplated by the Marxian socialists. Third, "The American scene considered, have the communists substituted better theories of social change?" While the author states that the communists have evolved the three superior tactics of party discipline, flexibility in their dogmas and championship of the cause of the downtrodden, nevertheless these tactics may easily react unfavorably upon American workmen if they are pushed to the extreme. Fourth, "Can any group in America achieve social change by the application of theories similar to those of the I.W.W. and the communists?" While American workmen will eventually secure a share in the control of industry, and means will be found to provide greater security in their jobs, it is the opinion of the author that these changes should be accomplished without going through a social cataclysm. The great resources of the country and the relatively high standards of living of our people will probably bring step-by-step reforms rather than a violent revolution.

Dr. Gambs reaches the conclusion that while the I.W.W. need not necessarily grow in numbers to become the nucleus of a revolutionary movement, nevertheless it is probably doomed because it has allowed itself to become inflexible, dogmatic, and fatalistic. It must change its organization or disappear from the American scene.

One of the most interesting sections of the book is Appendix V in which Dr. Gambs quotes several I.W.W. poems and songs.

CHARLES B. FOWLER

HOLMAN, R. A. *Forty years of coöperation: a history of the first successful coöperative grain elevator in the United States.* (Rockwell, Iowa: Author. 1931. Pp. 61.)

HOUGH, E. M. *The coöperative movement in India: its relation to a sound national economy.* (London: P. S. King. 1932. Pp. xxvii, 340. 15s.)

MISES, L. *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus.* 2nd ed. (Jena: Fischer. 1932. Pp. xx, 500. RM. 20.)

RAVER, P. J. *Recent technological developments and the municipally owned power plant.* (Chicago: Inst. for Econ. Research. 1932. Pp. vi, 86. \$1.50.)

American coöperation: a collection of papers and discussions comprising the seventh summer session of the American Institute of Coöperation at the Kansas State College of Agriculture and Applied Science, June 1-27, 1931. Vols. I and II. (Washington: American Inst. of Coöperation. 1931.)

Coöperative League of the United States of America. Second yearbook: a survey of consumers' coöperatives in the United States, 1932. (New York: Coöp. League. 1932. Pp. 256.)

Statistics and Its Methods

Business Statistics. By JOHN R. RIGGLEMAN and IRA N. FRISBEE. (New York: McGraw-Hill. 1932. Pp. xix, 707. \$4.00.)

This is a textbook intended for courses in business statistics. The point of view which the authors have emphasized is that of "the business man who is to use the results of statistical work rather than the point of view of the statistician" for the reason that "but few students in introductory courses in business statistics expect to become professional statisticians." The book is divided into two parts. Part I (comprising 302 pages) presents an introduction to statistical methods "which the authors and their associates have found to be practical in analyzing business problems," while Part II (comprising 282 pages) is intended to indicate "the types of statistical problems which confront business men, and how such problems can be solved in a practical way."

A discussion of the subjects of the collection of data, tabulation and graphic methods occupies the first third of Part I, while the subjects of statistical distributions, averages, index numbers, dispersion and skewness, time series and correlation, are disposed of in the remaining two-thirds. Only the more elementary methods of analysis are described under these various heads, although references are made, in passing, to some of the more complex methods. The discussions of technical methods of analysis in this book have two distinguishing features: (1) they

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contain a minimum of statistical theory and almost no mathematics beyond elementary algebra, and (2) the authors issue many pertinent warnings to the student against the misuse of statistics, warnings which might give many practising statisticians much to ponder over. Exception might be taken to the position of the authors on one or two points: viz., their definition of correlation as "causal relationship" and their somewhat inadequate definition of a seasonal index for any month as the ratio of the normally expected month to the corresponding trend value.

Part II contains chapters on the practical use of statistics, current business information, business forecasting, budgeting, population and purchasing power, production and labor statistics, marketing analysis, real estate analysis, investment analysis, statistics in banking, and executive control and management statistics. It is impossible in the brief space of this review to give more than a general idea of the material contained in these chapters. In general, the authors have described with numerous illustrations, various uses which may be made of statistics in these fields. Much of the material in this section is not statistical in character but is included "for the purpose of providing the necessary background." However, it would seem to this writer that its inclusion in a course in business statistics, would involve a considerable amount of duplication if the student is taking other business courses. This is particularly true of the material on budgeting and investment analysis. The chapters on forecasting and the practical use of statistics are especially good. The former describes the place of forecasting in business and the methods of the various forecasting services. The latter stresses the limitations of purely statistical analyses of business problems. The book presents an interesting contribution to the literature of business statistics and should give students and business men a real appreciation of the possibilities of using statistics in helping to solve business problems.

The book contains an introduction by M. C. Rorty and about 100 pages of appendices covering such subjects as schedule and questionnaire forms, mechanical aids in statistical work, statistical drawing and lettering, an explanation of logarithms and tables of logarithms, squares, square roots and reciprocals. Questions and problems follow each chapter.

SEWARD L. HORNER

New York City

NEW BOOKS

ANDERSON, O. *Die Korrelationsrechnung in der Konjunkturforschung*. Veröffentlichungen der Frankfurter Gesellschaft für Konjunkturforschung, Heft 4. (Bonn: Kurt Schroeder. 1929. Pp. 141.)

A dissertation on the application of scatter diagram and correlation coefficients to statistical analysis of price fluctuations in the business cycle.

Anderson finds that as a rule an empirical coefficient of correlation for two-time series is a function of the components of three different coefficients of correlation, two of which at least, are of a wholly heterogeneous nature. Only the first one $r_{1/1}^{(N)}$ is a coefficient of correlation in the real sense of

the word. Possible application of the theory of multiple correlation is presumed, but not developed, as he feels that the magnitude of this problem deserves separate treatment.

Investigation of the possibility of substituting this method for other procedure in a quantitative analysis of cycles should, it is suggested, be undertaken by research foundations.

WALTER E. ROLOFF

MORTARA, G. *Sommario di statistica*. (Milan: Università Bocconi. 1931. Pp. xv, 393. L.40.)

A leading statistician of Italy, well known to American readers, has here put together, after a long and influential career of university instruction in statistics, an authentic introduction to his science. Consideration at once for the rigorous demands of the subject and for the student's capacity and needs is apparent on every page. The simplicity and clarity of the exposition are exceptional.

Disclaiming originality, Mortara seeks to provide the indispensable minimum for a university course in statistics. His success rests upon what he excludes as much as upon what he presents. There is a brief introductory section, followed by Book I, dealing with the "Observation of phenomena"; by Book II, the "Description of phenomena," covering about three-quarters of the volume; finally by Book III, the "Interpretation of phenomena." Questions and exercises follow the chapters. The bibliographical notes are guides to further reading.

R. F. FOERSTER

RICHTER-ALTSCHÄFFER, H. *Theorie und Technik der Korrelationsanalyse*. (Berlin: Blätter für Landwirtschaftliche Marktforschung. 1932. Pp. 400. RM. 13.50.)

TIPPETT, L. H. C. *The methods of statistics: an introduction mainly for workers in the biological sciences*. (London: Williams and Norgate. 1931. Pp. 222. 15s.)

Statistical abstract of the United States, 1931. 53rd no. (Washington: Supt. Docs. 1931. Pp. xvii, 898. \$1.25.)

DOCUMENTS, REPORTS, AND LEGISLATION

The Census of Distribution

A New Census Activity

The Bureau of the Census, perhaps the greatest fact-finding organization in the world, is now completing the work of the Fifteenth Decennial Census. This fifteenth census is peculiarly important in that it has closed a great gap in our factual knowledge of the economic structure of the United States. Hitherto, we have had censuses of population with their measure of our labor force, and censuses of agriculture, manufactures, and mines and quarries, throwing light upon our productive organization. In recent years, however, we have had no complete picture of our great marketing structure.

The census of distribution taken in 1930 constitutes the first thorough canvass of our trading establishments taken since 1840. At that earlier date, statistics on the "Commerce of the United States" were included in the census of manufactures. Statistics were compiled showing capital invested in domestic trade by trades and the number of commercial houses engaged in foreign trade. These facts were also published for each of 29 states and for the District of Columbia.¹ The current census of distribution provides an elaborate analysis of the extent and nature of our modern trade structure. Measured by total volume of business, our distribution system assumes imposing proportions with almost \$50,000,000,000 in retail trade and nearly \$70,000,000,000 in wholesale trade. The nature of our retail and wholesale trading institutions is revealed by this census, together with measurements of functional differences, geographic variation and operating costs. In short, the census of distribution provides in minute detail a picture of that important institution which the economist calls *the market*.

This first nation-wide census of distribution since 1840 has gained considerable attention from the business world. The facts which have been collected and compiled have been heralded as of primary importance to marketing executives and to business research agencies. Without minimizing their significance in those directions, it should be pointed out that the economist will also find the statistics now being published of no little value in interpreting economic life. It is this hitherto neglected aspect of the use of census of distribution data that will be stressed in the following pages.

Origin of the Census of Distribution

The rapid development of our industrial machine, accompanied as it has been by an increasing tempo of production, has in recent years attracted more and more attention to the mechanism of merchandise distribution. The mechanics of our distribution system were the development of an earlier and simpler economic age, and, as a result, began to show flaws when subjected to the pressure imposed by large-scale production.

The first step towards improving the marketing structure could not be intelligently taken until the facts were known about the existing system. The chaotic condition of our knowledge of marketing led, in 1926, to an agreement by the National Distribution Conference that an "intensive study should be made into the scope and character of information needed as a basis for

¹ *Statistics of the United States of America—1840.*

more orderly and less wasteful distribution."² A census of distribution was urged as the solution to this problem. President Hoover, then Secretary of Commerce, offered the facilities of the Bureau of the Census for an experiment in this direction. The Chamber of Commerce of the United States, in coöperation with the Bureau of the Census, took a census of distribution in 1926 for 11 representative cities: Atlanta, Georgia; Baltimore, Maryland; Denver, Colorado; Fargo, North Dakota; Kansas City, Missouri; Providence, Rhode Island; San Francisco, California; Seattle, Washington; Springfield, Illinois; Syracuse, New York; and Chicago, Illinois. The results of this sample census were so encouraging that a demand was stimulated for more. The Congress of the United States yielded to this demand and, in an act approved June 18, 1929, authorized the census bureau to include in the Fifteenth Decennial Census an enumeration of distribution establishments in the United States.

Scope of the Census of Distribution

A new section was set up in the Bureau of the Census to handle the work of gathering and compiling the data. The distribution section comprised (1) a division dealing with the distribution channels of manufacturers, (2) a wholesale division, (3) a retail division, (4) a division dealing with rural marketing and, for administrative purposes, (5) a census of construction, and (6) a hotel census. The first three divisions enable the economist to trace the flow of merchandise from the manufacturer to the ultimate or home consumer. The wholesale and retail divisions, together with that for rural marketing, reveal the marketing mechanism between farmer and consumer. The distribution of the extractive products of mines and quarries, such as coal and petroleum, may also be traced through wholesale and retail outlets. The industrial market is shown by the division dealing with manufacturers' sales channels, supplemented and elaborated by the wholesale statistics which also show the volume of industrial sales of forest, mineral, quarry, agricultural and other products made by wholesalers to industry.

The division of the census of distribution dealing with manufacturers' sales channels has analyzed the gross value of manufactured products amounting to \$70,434,863,000. Sales channels were reported by manufacturers to the extent of 84.3 per cent of this total. Nearly half of the reported sales of manufacturers were through wholesale establishments, 30.8 per cent going to independent wholesalers and 16.8 per cent through manufacturers' own wholesale branches. The value of goods so distributed amounted to \$28,257,831,000. Manufacturers sold 29.1 per cent of their output directly to industrial consumers, 19.6 per cent directly to retailers, 2.0 per cent through manufacturer-owned retail stores, and 1.7 per cent directly to home consumers.

The wholesale trade division takes up the story next and shows the extent and variety of wholesale trading institutions. A total volume of \$69,291,547,604 was reported by the wholesale census, of which 36.77 per cent constituted the business of independent wholesale merchants; 22.77 per cent, the sales of manufacturers' wholesale branches; 20.6 per cent, the sales of agents and brokers; 6.68 per cent, the business of assemblers and country buyers of agricultural products; 3.03 per cent, the sales of bulk tank stations in the petroleum trade; and 2.78 per cent, the business of chain-

² *Retail and Wholesale Trade of Eleven Cities*, page 5, Chamber of Commerce of the United States.

store warehouses. The remainder included 5.45 per cent of the total, by exporting and importing houses, and smaller amounts by newer types of wholesalers.

The retail division completes the picture by bridging the gap between wholesaler and ultimate or home consumer. An analysis is available of 1,543,000 retail stores with sales of \$49,114,000,000. These figures include all types of retail stores: independent, chain, department and mail order. They also include the restaurant and café business, exclusive of hotels.³

It should be kept in mind by the user of census of distribution statistics that there are important limitations upon the comparability of the different groups of data. In tracing the flow of goods from producer to consumer, it is well to remember that manufactured goods include many semi-finished products which are sold to other manufacturers and not to wholesalers. On the other hand, wholesale trade includes considerable volumes of agricultural products and such products of extractive industries as coal, petroleum, forest products, and fish and sea foods. Moreover, there is no little duplication involved in both manufactures' statistics and wholesale trade data. The difference between gross value and net value of manufactures, for example, is confusing and misleading to the uninitiated.⁴ A somewhat similar situation obtains in wholesale trade in that many types of wholesalers, such as agents and brokers, operate in a stratum between the manufacturer and the typical wholesaler, and consequently their sales are duplicated in the totals reported by both groups. Furthermore, many wholesalers supply the needs of manufacturers for raw materials and supplies. This involves duplication between manufactures' statistics and wholesale trade statistics and again within wholesale data, since these materials and supplies are reported by one set of wholesalers and their value in products is reported by manufacturers and by other sets of wholesalers who handle the product.

These difficulties are not insurmountable, however, since the census statistics are presented in such a way that the operation of each stratum of wholesalers may be separated, as well as the industrial sales of all types of wholesalers.⁵ If the foregoing facts are kept in mind, the economist will safeguard himself from the difficulty experienced by many in understanding, for example, why the wholesale trade statistics reported a total sales volume nearly \$20,000,000,000 in excess of total retail trade. This is, of course, due to the duplication involved in the wholesale statistics.

Variety of Statistics Available

For the economist who is interested in special problems, the census of distribution contains much new information of value. The student of *labor problems*, for example, will find that the occupation statistics of the census of population are supplemented and enlarged by census of distribution data on employment and salaries and wages. Employment data are given for both wholesale and retail trade and by the various subdivisions of trade, as well as by state, county, and city. They include total employees, male and female employees, part-time employees in retail trade, salesmen and executives sepa-

³ The hotel census reported the volume of hotel business for 1929 to be \$1,039,363,000.

⁴ Dr. Tracy E. Thompson of Ohio State University has worked out a method for computing net value of manufactures.

⁵ There is but one exception, sales made by wholesalers to other wholesalers. No information was secured covering this point. The omission is probably not a serious defect, however, except in the case of manufacturers' wholesale branches where substantial sales are frequently made to other wholesalers.

ately in wholesale trade, and statistics on seasonal employment. Proprietors and firm members of unincorporated companies are shown for both wholesale and retail trade. In addition, salaries and wages are presented for a number of different grades of employment, as well as for total trade.

In the field of *consumption*, the retail statistics, when compared with population figures by special trades, are illuminating. To illustrate, the retail store sales for clothing and apparel in New England constitute 8.27 per cent of the total for the United States, as compared with a population in New England of 6.65 per cent of the United States total. In the East South Central States the percentages are 3.09 and 8.05 respectively, indicating a much lower per capita consumption of clothing in the Southern States than in New England. Similar comparisons may be made for food, drug, dry goods, furniture, and many other trades.

For the economist who is interested in cost analysis, a particularly interesting series of statistics are included in the wholesale trade reports. The number of wholesale merchants, together with their sales and total costs of operation, are presented for each of 24 trades by *size of business*. It is possible from these tabulations to secure added insight into the problem of *cost variation in wholesale institutions*. Thus, in California, for example, wholesale establishments in all trades with sales of \$25,000 per year or less show a total net operating expense figure of 28.1 per cent of net sales. This ratio drops as the average size of business increases until a low of 9.7 per cent for establishments selling in excess of \$1,000,000 per year is reached. This indication of a reduction in cost as size of business increases for all wholesale trade is borne out by the grocery trade where the cost variation ranges from 22.5 per cent for small (\$25,000) concerns to 6.4 per cent for large-scale establishments (\$1,000,000 or over). In the hardware trade, however, the cost declines from 33.3 per cent for small-scale houses to 12 per cent for businesses with average sales of \$250,000 per year. The costs increase thereafter to 17.9 per cent for the large-scale houses with average sales of \$1,000,000 or over.

These and other facts, such as the extent of the corporate form of business unit as compared with the individual proprietorship, partnership and other forms, serve to give the economist an idea of the new statistical material now available for his use as a result of the census of distribution. Perhaps the most important point to emphasize is that the census of distribution provides the factual basis for a thorough analysis of the commercial side of our economic life. A study of these statistics in their broader aspects enables the economist to gain a clearer understanding of why the consumer prices of certain commodities are so much greater than producer prices. At the same time costly methods of distribution are revealed, making possible a more intelligent attack upon the less efficient parts of the system. In short, specific condemnation of wasteful activities may now be substituted for blind criticism of the entire marketing structure.

NATHANAEL H. ENGLE

Washington, D.C.

Industries and Commerce

In the series of Trade Information Bulletins published by the Department of Commerce have appeared: No. 797, *The Motion-Picture Industry in Continental Europe in 1931* (pp. 75, 10c.); No. 798, *The Forest Resources and Lumber Industry of Soviet Russia* (pp. 11); No. 799, *Broadcast Advertising in Asia, Africa, Australia and Oceania* (pp. 19); No. 800, *The French*

Iron and Steel Industry and Trade, with a Chapter on the Saar, by Thomas Butts (pp. 60); No. 801, *The Motion-Picture Industry in the United Kingdom in 1931*, by James Summerville, Jr. (pp. 18); No. 802, *American Underwriting of Foreign Securities in 1931*, by P. D. Dickens (pp. 17); No. 803, *The Balance of International Payments of the United States in 1931*, by A. E. Taylor (pp. 87); No. 804, *Seasonal Trends of Rubber Production* (pp. 24); No. 805, *Motor Fuels in Foreign Countries* (pp. 35); No. 806, *The Leather Industry and Trade of Belgium*, by Walter Hertz (pp. 40); No. 807, *The Chemical Industry and Trade of Brazil* (pp. 36); No. 808, *Foreign Trade of the United States in the Calendar Year 1931*, by G. A. Witherow (pp. 106).

In the Trade Promotion Series has been published No. 131, *Handbook of Foreign Tariffs and Import Regulations on Agricultural Products. V. Grains and Grain Products in Europe and Other Major Markets*, by R. P. Wakefield, R. S. Hollingshead and Henry Chalmers (pp. 293, 50c.); No. 132, *Textile Market of Argentina*, by T. C. Ballagh (pp. 116); No. 133, *Tung Oil: Economic and Commercial Factors in the Development of a Domestic Tung Oil Industry*, by C. C. Concannon (pp. 106).

The United States Tariff Commission has made a report to the President on *Fresh Vegetables* (rep. no. 39, 2nd ser., pp. 175, 15c.).

The Hearings before the Committee on Interstate Commerce relating to the *Capper-Kelly Fair-Trade Bill*, held between January 25 and March 2, 1932, have appeared in two parts (pp. 272).

The Hearing before the House Committee on Agriculture on *Commodity Short Selling*, held between January 18 and February 29, has appeared in three parts (pp. 421).

Labor

The federal Bureau of Labor Statistics has issued the following bulletins: No. 560, *Wages and Hours of Labor in the Lumber Industry in the United States: 1930* (March, 1932, pp. 86).

No. 564, *Proceedings of the Eighteenth Annual Meeting of the International Association of Industrial Accident Boards and Commissions, Held at Richmond, Virginia, October 5-8, 1931* (April, 1932, pp. 309).

The Women's Bureau of the Department of Labor has published Bulletin No. 93, *Household Employment in Philadelphia*, by A. E. Watson (pp. 88, 10c.); No. 95, *Bookkeepers, Stenographers and Office Clerks in Ohio, 1914 to 1929*, by A. G. Maher; and Bulletin No. 96, *Women Office Workers in Philadelphia*, by H. A. Byrne (pp. 17).

The Labor Laws of the State of California, 1931, have been compiled by the state labor commissioner T. A. Reardon (Sacramento, 1932, pp. 409).

The Department of Labor of New York has issued Special Bulletin No. 174, *New York Labor Laws Enacted at the Extraordinary Session of 1931 and the Regular Session of 1932* (May, 1932, pp. 76) and Bulletin No. 175, *Fatalities: Their Cause and Prevention* (pp. 21).

The Geneva Research-Information Committee under date of August, 1931, has issued a pamphlet entitled *International Labor Standards and American*

Legislation: A Comparison (pp. 62, 50c.). A short introduction describes the development of international standards of labor legislation and the degree to which such standards so far have been adopted by governments. This study was prepared by Alice S. Cheyney in collaboration with the Geneva Research-Information Committee and may be obtained in this country from the League of Nations Association, 6 East 39th Street, New York City.

Banking

Hearings before a Subcommittee of the Senate Committee on Banking and Currency on the *Creation of a System of Federal Home Loan Banks*, held between January 14 and March 9, 1932, have appeared in four parts (pp. 688).

The report of the House Committee on Coinage, Weights, and Measures in regard to *An International Monetary Conference* has been published as House Report No. 1320, 72nd Congress, 1st Session (pp. 9).

NOTES

The next annual meeting of the AMERICAN ECONOMIC ASSOCIATION will be held at Cincinnati, December 28-30, with headquarters at the Hotel Netherland Plaza.

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since May 1:

Allen, C. E., 1138 W. Union Blvd., Bethlehem, Pa.
 Batchelor, J. A., 720 Foster St., Evanston, Ill.
 Baugh, R. H., Department of Economics, Stanford University, Calif.
 Bishop, W. L., College of Business Administration, Lehigh University, Bethlehem, Pa.
 Collado, E. G., c/o Murray Printing Co., Cambridge, Mass.
 Cusick, J., Faculty Club, Amherst College, Amherst, Mass.
 De Bard, A. A., Jr., 56 Tompkins St., Stapleton, N.Y.
 Diamond, H. M., 801 W. Broad St., Bethlehem, Pa.
 Drager, W., Cold Spring Harbor, L.I., N.Y.
 Erdmann, H. H., Agric. Econ. Dept., Agricultural Hall, Madison, Wis.
 Feldstein, B. H., 522-528 Farmers Bank Bldg., Pittsburgh, Pa.
 Greshman, H. D., 8617 New Hampshire Ave., Washington, D.C.
 Hale, R. F., Berwin, Md.
 Johnson, S. E., Dept. of Agric. Econ., South Dakota State College, Brookings, S.D.
 Krost, M. M., 33 Trowbridge St., Cambridge, Mass.
 Morgan, L., Dept. of Pol. Sci., University of Toronto, Toronto, Canada.
 Ortega, V., P. O. Box 812, Havana, Cuba.
 Osika, C. S., Monmouth, Ore.
 Pabst, W. R., Jr., 146 Liberty St., New York City.
 Peterson, J. M., Miami University, Oxford, Ohio.
 Roberts, G. B., National City Bank of New York, New York City.
 Roberts, T. N., Georgia State Industrial College, Savannah, Ga.
 Simpson, B., 3252 Goldsmith, San Diego, Calif.
 Smith, F. P., 2138 Yale Station, New Haven, Conn.
 Spiegel, H. R., Tufts College, Mass.
 Wolfe, J. B., 521 N. LaFayette St., Macomb, Ill.

The third annual conference on the teaching of the social sciences, sponsored by Northwestern University, was held in Evanston, Illinois, on March 25 and 26, 1932. The conference was attended by 87 teachers of the social sciences, coming from 48 institutions throughout the Middle West. In addition to the general meetings which included all the social sciences, each discipline met in a separate round table program. The economics round table, presided over by Professor M. M. Bober of Lawrence College, devoted itself to a discussion of the economics major. Papers were read by B. W. Lewis of Oberlin College on "The Contents of the Major," by H. S. Patton of Michigan State College on "Related Subjects," and by Lyle W. Cooper of Marquette University on "Methods of Developing the Major."

The Academy of World Economics in the City of Washington was incorporated under the laws of the District of Columbia on January 12, 1932, by a group of economists from the universities and other institutions of higher learning in Washington. The board of directors of the Academy consists of the following: William F. Notz, dean of the School of Foreign Service, Georgetown University, chairman; W. M. W. Splawn, dean of the Graduate School, American University; John McDill Fox, dean of the School of Law, Catholic University of America; John Donaldson, George Washington University; Leo Pasvolsky, The Brookings Institution, and Wallace McClure, Department of State, secretary. The membership territory of the Academy comprises the District of Columbia, Maryland and Virginia. The Academy is affiliated with the American Academy of Political and

Social Science. Proceedings of the opening meeting, held at Washington, April 6, 1932, including an address by Professor Ernest Minor Patterson on "World Economics," have been published as Pamphlet No. 1 of the publications of the Academy.

The second annual conference on economic policy for American agriculture was held at the University of Chicago in the latter part of June. In the program the following subjects were considered: B. H. Hibbard, University of Wisconsin, "The Farmer's Place in the Present Tax System"; S. E. Leland, University of Chicago, "The Proper Place of the Property Tax in a Revenue System"; H. M. Groves, Wisconsin Tax Commission, "Possibilities of the Income Tax"; H. D. Simpson, Northwestern University, "Property Tax Offsets under the Income Tax"; Neil Jacoby, University of Chicago, "Possibilities of the Sales Tax"; G. S. Wehrwein, University of Wisconsin, "Possible Tax Reductions through Changes in Local Government"; W. E. Gephart, St. Louis, "Economic Planning in Industry"; O. B. Jesness, University of Minnesota, "Economic Planning for the Principal Agricultural Products."

The second summer conference course in industrial relations will be held at the Graduate College, Princeton University, September 19-24. The principal subjects to be discussed are: employment stabilization; unemployment benefits and relief; dismissal compensation; pensions and insurance, and group relations. For further information address J. Douglas Brown, Princeton University, Princeton, New Jersey.

A conference will be held at New York University on November 15-17 to consider the general subject "The Obligation of Universities to the Social Order."

The twenty-seventh annual conference of the National Child Labor Committee was held in Philadelphia, May 17. Among the subjects discussed were: "Child Labor and the Schools in a Depression Period," Courtenay Dinwiddie, presiding officer; "The Maintenance of School Services during the Period of Economic Depression," by G. D. Strayer; "Must Times Be Hard for Children?" by J. P. Murphy; "Neglected and Exploited Children," B. M. Watson, presiding officer; "Injured Children—Five Years Later: Report of a Follow-Up Study of Industrial Accidents to Minors," by Courtenay Dinwiddie; and "The Migrant Child in Four Eastern States," by E. B. Crooks.

A National Land-Use Planning Committee and a National Advisory and Legislative Committee on Land Use have been appointed on recommendation of the National Land Utilization Conference held at Chicago, November, 1931. The Planning Committee is charged with the duty of gathering and evaluating the available facts on the phases of land utilization and formulating feasible regional and national land policies. This Committee is composed of several federal officials and five representatives of the Association of Land Grant Colleges and Universities. The Advisory and Legislative Committee is expected to advise the Planning Committee of pressing problems in need of study, to suggest possible policies or measures, and to help put into effect those measures and policies agreed upon by the two committees as essential. This Committee is composed of representatives of the American

Farm Bureau Federation, American Forestry Association, American National Livestock Association, American Railway Development Association, Association of American Agricultural Editors, Chamber of Commerce of the United States, National Association of Commissioners and Secretaries of Agriculture, National Farmers' Educational and Coöperative Union of America, National Grange, National Woolgrowers' Association and National Co-operative Council.

A special research project on the international gold standard will be carried on under the auspices of Brown University during the academic year 1932-33 under a special grant of funds from the Rockefeller Foundation. Professor William Adams Brown, Jr., of the department of economics will devote half time, and Professor Carel Jan Smit of the department of economics will devote full time, to the project. The study will attempt to throw light upon the fundamental problem of the present—whether there are any reasonable grounds for hope that the gold standard can develop, under the conditions which may be expected to prevail during the next decades, the same efficient international clearing and stabilizing services as it did before the war. The study, therefore, will examine the history of the gold standard from 1873 to 1914 with special emphasis upon the growth of London as an international credit and capital distributing and clearing center, and upon the distribution of the bulk of the world's newly produced gold through London. It will then attempt to appraise the effect upon this international financial machinery of the rise of New York as an international financial center and of the many other strikingly new developments of our day.

The Babson Statistical Organization is at present compiling a series of railroad gross earnings from 1882 to 1908, from which can be obtained monthly estimates of the revenue ton miles of traffic. Over 50 per cent of the railroad earnings of the country are represented from 1890 on, and slightly less than 50 per cent prior to 1890. The sample, therefore, is sufficiently inclusive as to make the series of monthly revenue ton miles reliable, on the assumption that the average annual freight rate per ton mile as derived by the Interstate Commerce Commission and *Poor's Manual* can also be considered reliable.

The proportion of freight earnings to the total earnings has held remarkably constant throughout the period. The above conditions, therefore, enable one to obtain a representative curve of monthly ton miles of freight transported on a *seasonally corrected* basis. This would not be so on an actual basis without the knowledge of the seasonal variation of the average freight rate resulting from the seasonal variation in the amount and nature of the traffic.

The National Advisory Council on Radio in Education will resume on Tuesday evening, September 6, the half hour of broadcasting, through the courtesy of the National Broadcasting Company. There will be a pre-election series on the general theme of "Government in a Depression" and a post-election series on "Constructive Economy in State and Local Government."

The following notes concerning the Institute of Economics have been received:

Dr. Maurice Leven, who has been connected with the Committee on the

Costs of Medical Care, and Dr. Clark Warburton, who has been employed on the research staff of the Federal Reserve Board, have both accepted staff appointments with the Institute of Economics for the coming year.

Dr. Horace B. Drury, formerly economist with the United States Shipping Board, has also been working with the Institute since May 1.

Professor Chester B. Pond of Lebanon Valley College, Mr. V. S. Kolesnikoff of the National Bureau of Economic Research, and Mrs. Amber Arthun Warburton from the faculty of Atlanta University have been assigned to assistantships in the Institute of Economics.

Professor Avard L. Bishop of the Sheffield Scientific School at Yale University died on May 8.

Professor F. M. Taylor, who retired from teaching at the University of Michigan in 1929, and a former president of the American Economic Association, died at Pasadena, California, in August.

Appointments and Resignations

I. R. Barnes, instructor in economics at Yale University, has been promoted to assistant professor.

Benjamin Haggott Beckhart of Columbia University has been awarded the William Bayard Cutting Fellowship for 1932-33. This is a research award issued annually to graduates of Columbia University who give evidence of ability to make contributions of value to letters, science, law, medicine or the fine arts.

John F. Bell, professor of economics at Temple University, taught at the summer session of West Virginia University.

Edward Berman of the University of Illinois has been awarded a Social Science Research Fellowship and will spend the academic year 1932-33 on a sabbatical leave in England.

M. M. Bober of Lawrence College offered courses in economics during the summer session in Harvard University.

R. W. Bradbury of Louisiana State University spent the summer in Mexico studying the Bank of Mexico.

R. R. R. Brooks, instructor in economics at Wesleyan University for the past year, has been appointed instructor in economics at Yale University for the coming year.

Willard Olander Brown of the University of Texas has been appointed assistant in the College of Commerce at Louisiana State University.

F. A. Bushee of the University of Colorado spent another summer with the Sherwood Eddy Seminar group in further study of conditions in Russia.

Charles E. Calhoun resigned as instructor in business administration at the University of Washington College of Business Administration to enter private practice as an investment counsellor.

Fred Gorvin Carter of Southwestern Louisiana Institute has been appointed assistant in the College of Commerce at Louisiana State University.

Newel H. Comish, professor of economics at Oregon State College, has accepted an appointment as professor of business administration at the University of Oregon.

William E. Cox of the College of Business Administration, University of Washington, was a visiting professor at the University of California during the summer quarter.

James A. Cuneo has resigned as instructor in economics at the College of Business Administration, University of Nebraska, and will return to his home in Argentina after some months in Europe.

George M. Darlington, instructor in business organization and management at the College of Business Administration, University of Nebraska, has been promoted to the rank of assistant professor.

Melvin De Chazeau of the University of Virginia taught courses in the history of economic thought and control of public utilities at the University of Washington for the summer quarter.

Wilford J. Eiteman, professor of economics at Albion College, has been given a leave of absence for the academic year 1932-33 in order to study in New York as a Fellow of the Social Science Research Council.

D. M. Erb of the University of Oregon served as acting professor of economics at Stanford University during the spring and summer quarters.

Charles Frederick of Centenary College has been appointed assistant in the College of Commerce at Louisiana State University.

James H. Gilbert, chairman of the economics department at the University of Oregon and dean of the liberal arts college, has become dean of social science in the reorganized and unified system of higher education in Oregon.

Earl C. Hald of the University of Nebraska has been appointed assistant instructor in economics at the University of Nebraska.

B. F. Haley has been appointed executive head of the department of economics at Stanford University.

James K. Hall, associate professor of business administration at the University of Washington, taught at the University of Virginia in the summer quarter.

Earl J. Hamilton of Duke University will have leave of absence during the academic year 1932-33 to continue his study of prices in Spanish archives. Dr. Hamilton is the director in Spain of the investigations which have been in progress for several years under the auspices of the International Scientific Committee on Price History.

Alfred E. Harsch has been promoted from instructor to assistant professor at the College of Business Administration, University of Washington.

E. Q. Hawk of Birmingham-Southern College taught economic principles and public finance in the summer school of the College of Commerce at Louisiana State University.

Clifford M. Hicks, instructor in business organization and management at the College of Business Administration, University of Nebraska, has been promoted to the rank of assistant professor.

A. Ford Hinrichs of the department of economics at Brown University has been granted sabbatical leave for the academic year 1932-33 and will continue his studies of industrial planning in Russia, Germany, Austria, and Italy.

Calvin B. Hoover of Duke University will be on sabbatical leave during the academic year 1932-33, studying economic conditions in Germany.

Willard E. Hotchkiss, former dean of the Graduate School of Business at Stanford University, will become a member of the department of economics in the School of Commerce, Accounts and Finance of New York University, giving courses in labor, trust problems, and social legislation.

Professor Harold A. Innis of the University of Toronto has been appointed Canadian Correspondent of the Royal Economic Society.

R. C. Jones, assistant professor of accounting at Yale University, has been made an associate professor.

Walter H. Keller has been appointed assistant instructor in economics at the University of Nebraska.

Wassily Leontief of the University of Leningrad and the University of Berlin has been appointed instructor in economics at Harvard University.

W. W. Lockwood, Jr., has been advanced from instructor to assistant professor of economics at Bowdoin College.

Arthur F. Lucas, assistant professor of economics at Clark University, resumes his teaching after a semester's leave of absence devoted to travel and research chiefly in England.

E. R. McCartney has been appointed professor of economics and business administration and head of the department in Kansas State College.

Roswell C. McCrea, acting executive officer of the graduate department of economics at Columbia University, has been made dean of the School of Business at Columbia University.

E. Ray McCartney, instructor in economics at the College of Business Administration, University of Nebraska, has resigned to become head of the department of economics at Hays State College, Hays, Kansas.

Edward McMahon and Theresa S. McMahon of the University of Washington, College of Business Administration, spent the summer doing research in Mexico.

James A. Maxwell, assistant professor of economics at Clark University, spent the summer at Ottawa in continuance of his research into Dominion grants of aid to the Provinces.

L. Douglas Meredith served on the summer school faculty of Milwaukee State Teachers College.

John R. Mez of the University of Oregon has resigned his position and will study in Europe, specializing in international economics and politics.

Harry E. Miller of the department of economics at Brown University has been granted sabbatical leave for the academic year 1932-33.

Broadus Mitchell, associate professor of political science at Johns Hopkins University, offered courses at West Virginia University summer session.

Vernon Mund of Princeton University has been appointed to an assistant professorship in economics and business administration at the University of Washington.

Claudius Murchison, professor of economics at the University of North Carolina, offered courses at West Virginia University summer session.

E. G. Nelson has been appointed instructor in economics at Stanford University.

E. F. Nickoley, who has been visiting professor of economics at the University of Illinois, returned to the American University at Beirut, Syria, where he is dean.

R. B. Pettengill of the University of Arizona has been appointed acting instructor in economics at Stanford University for the year 1932-33.

Howard S. Piquet has resigned his instructorship at Princeton University to become assistant professor of economics at New York University.

Harold L. Reed of Cornell University has been appointed a member of the New York State Bank Board by Governor Roosevelt.

Edward B. Schmidt has been appointed assistant instructor in economics at the College of Business Administration, University of Nebraska.

R. J. Schneider, for several years instructor in economics at Yale University, is resigning to accept a position as assistant professor in economics at Rensselaer Polytechnic Institute.

Josef Alois Schumpeter of Vienna has been appointed professor of economics and tutor in the division of history, government and economics at Harvard University.

Edwin R. A. Seligman of Columbia University has been appointed vice-president of the Citizens' Budget Commission recently formed in New York.

Joseph E. Shafer has been promoted to the rank of associate professor of economics and business administration and head of the department at the College of Mines and Metallurgy of the University of Texas, El Paso.

Elbridge Sibley, for several years with the State Department of Health at Nashville, Tennessee, has been elected assistant professor of sociology at Bowdoin College.

Robert S. Smith, who for two years carried on research in Spain as the holder of one of the Amherst Memorial Fellowships, has been appointed instructor in economics at Duke University.

Clifford D. Spangler, instructor in economics at the College of Business Administration, University of Nebraska, has been promoted to the rank of assistant professor.

Joseph J. Spengler of the University of Arizona will have charge of the courses of Professor Calvin B. Hoover at Duke University during the latter's absence.

F. W. Stamm, assistant professor of economics and business at the University of Louisville, offered courses at the West Virginia University summer session.

M. H. Sublette of the University of Illinois has been appointed to the staff of Nebraska State Teachers College.

B. Alden Thresher of the department of economics at Massachusetts Institute of Technology has been promoted to an assistant professorship.

R. B. Welch has resigned as instructor in economics at Yale University to accept a position as instructor in economics at the University of New Hampshire.

Edmund E. Werner of the University of Nebraska has been appointed instructor of economics at the University of South Dakota.

Fred W. Woodbridge of the University of Southern California taught accounting at the University of Washington summer quarter.

TWENTY-NINTH LIST OF DOCTORAL DISSERTATIONS IN POLITICAL ECONOMY IN PROGRESS IN AMERICAN UNIVERSITIES AND COLLEGES

Students whose period of continuous non-residence exceeds three years are omitted from the list. The last date given is the probable date of completion.

The first list of this kind was dated January 1, 1904, and was sent to all members, but not regularly bound in the publications. The subsequent lists have appeared in the publications as follows:

- Second list, 1905, in third series, vol. vi, p. 737.
- Third list, 1906, in third series, vol. vii, no. 3, supplement, p. 43.
- Fourth list, 1907, in third series, vol. viii, no. 2, supplement, p. 42.
- Fifth list, 1908, in the *Bulletin* for April, 1908, p. 69.
- Sixth list, 1909, in the *Bulletin* for April, 1909, p. 16.
- Seventh list, 1910, in the *Bulletin* for March, 1910, p. 12.
- Eighth list, 1911, in the *REVIEW* for March, 1911, p. 212.
- Ninth list, 1912, in the *REVIEW* for June, 1912, p. 519.
- Tenth list, 1913, in the *REVIEW* for June, 1913, p. 527.
- Eleventh list, 1914, in the *REVIEW* for June, 1914, p. 524.
- Twelfth list, 1915, in the *REVIEW* for June, 1915, p. 476.
- Thirteenth list, 1916, in the *REVIEW* for June, 1916, p. 499.
- Fourteenth list, 1917, in the *REVIEW* for June, 1917, p. 485.
- Fifteenth list, 1918, in the *REVIEW* for June, 1918, p. 459.
- Sixteenth list, 1919, in the *REVIEW* for June, 1919, p. 433.
- Seventeenth list, 1920, in the *REVIEW* for September, 1920, p. 692.
- Eighteenth list, 1921, in the *REVIEW* for June, 1921, p. 388.
- Nineteenth list, 1922, in the *REVIEW* for June, 1922, p. 380.
- Twentieth list, 1923, in the *REVIEW* for September, 1923, p. 571.
- Twenty-first list, 1924, in the *REVIEW* for September, 1924, p. 601.
- Twenty-second list, 1925, in the *REVIEW* for September, 1925, p. 593.
- Twenty-third list, 1926, in the *REVIEW* for September, 1926, p. 556.
- Twenty-fourth list, 1927, in the *REVIEW* for September, 1927, p. 574.
- Twenty-fifth list, 1928, in the *REVIEW* for September, 1928, p. 589.
- Twenty-sixth list, 1929, in the *REVIEW* for September, 1929, p. 533.
- Twenty-seventh list, 1930, in the *REVIEW* for September, 1930, p. 574.
- Twenty-eighth list, 1931, in the *REVIEW* for September, 1931, p. 582.

The present list specifies doctoral dissertations completed and accepted by the various universities, and, in cases where a publishing company was reported, this has been given. Titles not marked "completed" are assumed to be still in preparation. It will be noted that some thesis titles in the field of sociology are omitted, inasmuch as a list is published in the *American Journal of Sociology*.

Theory and Its History

- KARL LEOPOLD ANDERSON, B.S., Mount Allison, 1928; A.M., Harvard, 1930. Thorstein Veblen's economics. 1932. *Harvard*. Completed.
- RUSSELL H. BAUGH, B.A., Southwestern State Teachers College, 1924; M.A., Wisconsin, 1926. A critical analysis of the rôle of price in maintaining equilibrium among economic processes. 1932. *Wisconsin*.
- BURNHAM PUTNAM BECKWITH, B.A., Stanford, 1926; M.A., Southern California, 1930. A history of English and American doctrine on the social utility of bank credit. 1932. *Southern California*.
- ELMER C. BRATT, B.A., Nebraska, 1925; A.M., 1926. The concept of elasticity in economics. 1933. *Wisconsin*.
- BENJAMIN FRANKLIN CATHERWOOD, B.S., Purdue, 1924; M.S., 1925. A critical examination of the distribution theories of selected English economists. 1932. *Iowa*. Accepted.

- N. T. CHAO, Ph.D., Columbia, 1931. Richard Jones: an early English institutionalist. (Privately printed.)
- TSANG CHIN, A.B., St. John's University, Shanghai, 1919; A.M., Columbia, 1922. John Locke's monetary theory. 1932. *Columbia*.
- CHARLES JOSEPH COE, Ph.B., Chicago, 1929; A.M., 1931. Economic theory and democratic theory of the Utilitarians. 1933. *Brown*.
- CHARLES WOOLSEY COLE, A.B., Amherst, 1927; A.M., Columbia, 1928. French mercantilism before Colbert. 1932. *Columbia*.
- LLOYD E. DEVOL, A.B., Ohio State, 1923; A.M., 1925. Diminishing returns in economic theory and practice. 1933. *Michigan*.
- JOSEPH DORFMAN, A.B., Reed, 1924; A.M., Columbia, 1925. Thorstein Veblen: a life history. 1932. *Columbia*.
- DAVID FELLMAN, B.A., Nebraska, 1929; M.A., 1930. The economic interpretation in American political theory. 1933. *Yale*.
- ELI GINZBERG, A.B., Columbia, 1931; A.M., 1932. Adam Smith. 1933. *Columbia*.
- BILLY EARL GOETZ, Ph.B., Chicago, 1924. The economics of the individual industrial enterprise. 1934. *Chicago*.
- WILLIAM STEPHEN HOPKINS, Ph.D., Stanford, 1932. The development of the concept of profit in American economic theory. Accepted.
- R. L. HORNE, B.A., Ohio State, 1928; M.A., 1931. Ricardo's contribution to monetary theory. 1933. *Ohio State*.
- PANG CHEN HUANG, M.B.A., New York, 1927. Dr. Sun Yat-Sen's principle of livelihood: a critical inquiry into its peculiarities. 1933. *New York*.
- DON D. HUMPHREY, Ph.D., California, 1932. The influence of David Hume on Adam Smith.
- C. W. KAISER, JR., B.S., Pennsylvania, 1926; A.M., Pittsburgh, 1930. Robert Ellis Thompson: his social philosophy and position in American economic thought. 1932. *Pennsylvania*.
- ERNEST GILMORE LEWIS, A.B., Texas, 1926; A.M., 1928. The contribution of John Sherman to economic theory. 1932. *Illinois*.
- KENNETH DEAN LUNEY, A.B., Geneva College, 1924; A.M., Illinois, 1928. The economic opinions and influence of Mr. Justice Brandeis. 1932. *Illinois*.
- MARTIN J. PLOTNIK, Cand. Agr., Berlin, 1925; Dipl. Ag., 1926. Werner Sombart's type of economic theory. 1932. *Columbia*.
- KENNETH W. ROWE, A.B., Carleton, 1929. Mathew Carey. 1932. *Johns Hopkins*.
- NATHAN G. SILVERMASTER, A.B., Washington, 1920. Russian economic thought. 1932. *California*.
- GORDON B. STRONG, Ph.D., Chicago, 1932. Adam Smith and the eighteenth-century concept of social progress. Accepted.
- ALAN RICHARDSON SWEETZ, A.B., Harvard, 1929. The Austrian school since Böhm-Bawerk. 1933. *Harvard*.
- WILLIAM W. VANNIER, B.A., Pomona College, 1920; M.A., 1921. Relation between economic history and economic theory. 1932. *California*.
- MARION L. WADLEIGH, B.A., New Zealand, 1927. Currency banking controversy with special reference to international theory. 1932. *Chicago*.
- VERVON ORVAL WATTS, A.B., Manitoba, 1918; A.M., Harvard, 1923. The development of the technological concept of production in Anglo-American thought. 1932. *Harvard*. Completed.
- ARTHUR WUBNIG, B.Sc., New York, 1928; A.M., 1929. Social conscience in classical English economists. 1933. *Columbia*.

Economic History and Geography

- S. A. ANDERSON, A.B., Upsala College, 1927; A.M., Clark, 1928. The economic aspect of the Viking voyages. 1933. *Columbia*.
- J. D. BRITE, B.A., Wyoming, 1922; A.M., Chicago, 1924. The attitude of the European states toward emigration to the American colonies. 1934. *Chicago*.

- DANIEL HOUSTON BUCHANAN, Ph.D., Harvard, 1931. Some chapters in the development of modern industry in India. Accepted.
- J. L. CATE, A.B., Texas, 1924; A.M., 1925. The influence of the Norman Conquest upon commerce and trade. 1933. *Chicago*.
- TROY J. CAULEY, B.A., Texas, 1925; M.A., 1926. The trail driving era. 1931. *Wisconsin*. Completed.
- SAMUEL T. CHANG, A.B., George Washington, 1927; A.M., Columbia, 1929. The national economy of Kuan Cheng. 1932. *Columbia*.
- CHI CHAO-TING, Ph.D., Chicago, 1926. The land system of China. 1932. *Columbia*.
- C. M. DESTLER, A.B., Wooster, 1925; A.M., Chicago, 1928. The people's party in Illinois. 1933. *Chicago*.
- JAMES GILBERT EVANS, A.B., Simpson, 1921; A.B., Illinois, 1924. Economic development of Chicago since 1890. 1932. *Chicago*.
- MICHAEL T. FLORINSKY, Ph.D., Columbia, 1931. The end of the Russian empire. (Published by the Yale University Press.)
- MARGARET RANDOLPH GAY, A.B., Radcliffe, 1922; A.M., 1923. The Statute of Artificers, 1563-1814. 1933. *Radcliffe*.
- GILBERT T. GUSTAFSON, B.A., Iowa, 1926; M.A., 1927. Relation of Wisconsin's geographic pattern to land use. 1934. *Wisconsin*.
- VIRGINIA D. HARRINGTON, A.B., Barnard, 1924; A.M., Columbia, 1925. The New York merchant in the eighteenth century. 1932. *Columbia*.
- WALTER BENNETT HARVEY, LL.B., Manitoba, 1918; M.A., 1928. Interrelations between European political and commercial diplomacy, 1870-1914. 1932. *Chicago*.
- H. G. HUDSON, Ph.D., Chicago, 1931. A study of social regulations in England under James I and Charles I: drink and tobacco. Accepted.
- HARRY LYNN, A.B., Transylvania, 1928; M.A., Kentucky, 1930. The Philippines in world politics since 1898. 1934. *Kentucky*.
- ALLYN C. LOOSLEY, Ph.D., California, 1932. The Isthmus of Panama in Spanish colonial commerce; a study in Spanish-American economic history.
- ERNEST RAY MCCARTNEY, A.B., Wisconsin, 1921; A.M., 1927. The crisis of 1873. 1932. *Nebraska*.
- SAMUEL JUSTUS MCKINLEY, Ph.D., Harvard, 1931. The economic history of Portsmouth, New Hampshire from its first settlement to 1830, including a study of price movements there, 1723-70 and 1804-30. Accepted.
- SANFORD ALEXANDER MOSK, Ph.D., California, 1932. Spanish voyages and pearl fisheries in the Gulf of California: a study in economic history.
- SISTER MARY AMBROSE MULHOLLAND, A.B., Mt. St. Joseph, 1919; A.M., Notre Dame, 1921. The statutes of the guilds of Toulouse. 1932. *Columbia*.
- SCOTT P. F. NAN, A.B., Park, A.M., Chicago, 1930. The financial development and position of Manchuria. 1933. *Pennsylvania*.
- KASSIM NEBIOLOU, B.S., Robert College, 1926; Diplôme, Ecole des Sciences Politiques, Paris, 1928. The economic policy of New Turkey. 1932. *Columbia*.
- E. F. NICKOLEY, A.B., Illinois, 1898; M.A., 1924. A survey of economic conditions in Syria. 1932. *Illinois*. Accepted.
- GEORGE T. OBORN, Ph.D., Chicago, 1931. Economic factors in the Decian-Valerian persecutions. Accepted.
- R. C. PETRY, A.B., Manchester, 1926; A.M., Chicago, 1927. Franciscan poverty in the light of thirteen-century economic conditions. 1933. *Chicago*.
- HARRY BAYARD PRICE, B.A., Davidson, 1925. The effect of the poor on English economic thought in the seventeenth and eighteenth centuries. 1933. *Yale*.
- BENJAMIN ULYSSES RATCHFORD, A.B., Davidson, A.M., Duke. A history of North Carolina debt, 1712-1900. 1932. *Duke*. Completed.
- R. H. RECORDS, A.B., Oklahoma, 1922; A.M., 1923. Land as a basis for social discontent in the New England colonies prior to 1776. 1933. *Chicago*.
- RUTH ALEXANDER TRACY REDHEFFER, B.A., Northwestern, 1920; M.A., 1921. The economics of Bolshevism. 1932. *Northwestern*.
- NAOMI RICHES, A.B., Reed, 1917; A.M., Columbia, 1924. A survey of agricultural

- developments of the county of Norfolk, England, in the eighteenth century. 1933. *Chicago*.
- JAMES B. ROSS, A.B., Vassar, 1925; A.M., Chicago, 1927. The canals of Lombardy in the Middle Ages. 1934. *Chicago*.
- STANLEY C. ROSS, A.B., Otterbein, 1916. The economic history of Dodge County, Wisconsin. 1934. *Chicago*.
- FAYETTE BALDWIN SHAW, S.B., Illinois, 1926; A.M., Harvard, 1928. The economic history of Joliet, Illinois. 1934. *Harvard*.
- ROBERT SIDNEY SMITH, A.B., A.M., Amherst. The sea-consulate in Aragon. 1932. *Duke*.
- DALLAS W. SMYTHE, Ph.D., California, 1932. A study in economic history: East Bay urban transport.
- RICHARD G. STONE, A.B., Western Maryland, 1926. Hezekiah Niles. 1932. *Johns Hopkins*.
- PHIL E. TAYLOR, B.A., Doane, 1928. The turnpike era in New England. 1933. *Yale*.
- R. T. THOMPSON, A.B., Wake Forest, 1917; A.M., 1918. The New Jersey merchant, 1785-1840. 1932. *Columbia*.
- ELVA TOOKER, A.B., Colby, 1921; A.M., Radcliffe, 1925. The economic background of Jacksonian democracy. 1934. *Radcliffe*.
- EDWARD N. TORBERT, Ph.D., Chicago, 1931. The evolution of land utilization in Lebanon, New Hampshire. Accepted.
- RAY UNTEREINER, A.B., Redlands, 1920; M.A., Harvard, 1921; J. D. Mayo College of Law, 1925. Economic ideas that influenced the formation of the constitution of the United States. 1932. *Northwestern*.
- GEORGE W. VAN KLEECK, B.S., Colgate, 1909; Ph.M., New York, 1918; A.M., 1919. The panic of 1857. 1932. *Columbia*.
- ARTHUR M. WEIMER, B.A., Beloit, 1929; A.M., Chicago, 1931. The economic history of Alma, Michigan. 1934. *Chicago*.
- NATHAN LASELLE WHETTEN, B.A., Brigham Young, 1926; A.M., 1928. The social and economic structure of the trade centers in the Canadian prairie provinces, with reference to its changes, 1910-1930. 1932. *Harvard*. Completed.
- ESTHER CLARK WRIGHT, Ph.D., Radcliffe, 1931. The genesis of the civil engineer: a study of the economic history of Great Britain from 1760 to 1830. Accepted.

Agriculture, Mining, Forestry, and Fisheries

- RUTH ALLEN, A.B., Texas, 1921; A.M., 1923. Women on central Texas farms. 1933. *Chicago*.
- DON. S. ANDERSON, B.S., Minnesota, 1919. An economic study of the butter industry in Minnesota. 1933. *Minnesota*.
- JOSÉ POTENCIANO APOSTOL, B.C.S., Philippines, 1921; M.A., 1925. The agricultural development of the Philippines during the American régime. 1933. *Chicago*.
- WALTER W. ARMENTROUT, Ph.D., Minnesota, 1931. Economic aspects of county livestock shipping organization. Accepted.
- IRA W. ARTHUR, B.S., Iowa State, 1916; M.S., 1927. Market movement of hogs. 1932. *Chicago*.
- RAYMOND W. BALDWIN, A.B., McPherson, 1905; A.M., 1906; A.M., Kansas, 1908. Price spreads in the wheat market. 1932. *Chicago*.
- CHARLES THOMAS BATTIN, A.B., Ottawa, 1913. Organization and competitive status of the Chicago potato market. 1932. *Chicago*.
- ARSENIO M. BATLA, B.A., Philippines, 1918; M.S., Wisconsin, 1928. Comparative study of the agricultural credit systems in the United States and selected countries. 1932. *Wisconsin*.
- MURRAY REED BENEDICT, Ph.D., Harvard, 1931. The incidence of transportation charges on agricultural products: an analysis of the economic relationships involved when rates are changed. Accepted.
- VICTOR W. BENNETT, B.A., Gettysburg, 1917; M.A., Pittsburgh, 1924. A critical appraisal of the federal farm loan system. 1933. *University of Washington*.

- JAMES HENRY BREDIN, B.S., Saskatchewan, 1923; M.A., Minnesota, 1927. Factors affecting price differentials of wheat in the leading markets. 1933. *Northwestern*.
- TADEUSZ BRUDZINSKI, Ag. Eng., Poland, 1925; M. Law, 1925; M.S., Cornell, 1931. Market information in the grain trade. 1933. *Cornell*.
- ROBERT DEBLOIS CALKINS, JR., B.S., William and Mary, 1925; M.A., Stanford, 1929. Market leadership and the development of major movements in wheat prices, 1924-1931. 1932. *Stanford*.
- B. E. CARMICHAEL, B.S., Illinois, 1905; M.S., 1913. The efficiency of various grains in animal feed rations. 1933. *American*.
- MAUDE CARMICHAEL, A.B., Hendrix, 1917; A.M., Columbia, 1923. The break-up of the plantation system in Arkansas. 1934. *Radeliffe*.
- HAROLD C. M. CASE, B.S., Illinois, 1912; M.S., 1919. Tenancy in relation to the organization and operation of corn belt farms. 1931. *Wisconsin*. Completed.
- JOHN MACINTYRE CASSELS, B.A., Alberta, 1924; B.A., Oxford, 1927. Milk prices in New England. 1933. *Harvard*.
- JOHN M. CORUTHERS, B.Sc., Hampton Institute, 1925; M.S., Wisconsin, 1928. One-variety cotton communities in the United States. 1933. *Cornell*.
- RAYMOND E. CRAY, B.S., Rutgers; M.A., Ohio State, 1930. The marketing of poultry and poultry products. 1933. *Ohio State*.
- RICHARDSON CREEL, A.B., Alabama, 1925; A.M., Trinity, 1928. Mining in the northeastern colonies. 1932. *Columbia*.
- IRVING GILMAN DAVIS, A.B., Bates, 1906. Some aspects of public policy with relation to agricultural land utilization. 1934. *Harvard*.
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- VALDENAR EPHRAIM CARLSON, Ph.D., Harvard, 1931. Association and combination in the American paper industry. Accepted.
- MARIE CORRELL, B.S., Kansas State Agricultural College, 1924; M.S., 1924. The paper industry in its technological, business and labor aspects. 1933. *Wisconsin*.
- NOOBAR RETHEOS DANIELIAN, A.B., Harvard, 1928; A.M., 1929. Recent developments in the electric light and power industry in the United States. 1932. *Harvard*. Completed.
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- ERNEST GALARZA, A.B., Occidental, 1927; A.M., Stanford, 1929. History of power development in Latin America. 1933. *Columbia*.
- CHARLES J. RUDOLPH GROSSMANN, M.E., Ecole Polytechnique Fédérale of Switzer-

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- FLOYD BALCH HAWORTH, A.B., Iowa, 1924; M.A., 1930. The economic development of the wood-working industry in Iowa. 1932. *Iowa*.
- OMER W. HERMANN, B.S., Nebraska, 1922. An economic analysis of the cotton ginning industry of Oklahoma. 1933. *Wisconsin*.
- EDGAR MALONE HOOVER, JR., A.B., Harvard, 1928; A.M., 1930. Location of the shoe industry in the United States. 1932. *Harvard*. Completed.
- WILLIAM STEWART LESTER, SR., A.B., Mississippi, 1902; M.A., Kentucky, 1927. The Transylvania Company. 1933. *Kentucky*.
- RUSSELL H. MACK, A.B., Baker, 1920; A.M., Columbia, 1924. Factors making for instability in the cigar-manufacturing industry. 1933. *Pennsylvania*.
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- JAMES GEDDES STALEY, A.B., Michigan, 1913; M.A., LL.B., 1917. Sawmill investment and related problems in the Douglas fir region. 1932. *University of Washington*.
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- AUGUSTA WAGNER, A.B., Wellesley, 1924; A.M., Columbia, 1930. Industrialization of the City of Tientsin. 1933. *Columbia*.
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- HAROLD FRANCIS WILLIAMSON, A.B., Southern California, 1924; A.M., 1926. The history of trade association in the cotton industry. 1934. *Harvard*.
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- CLYDE BRUCE AITCHISON, B.S., LL.D., Hastings College; M.A., Oregon. The development in Great Britain of the system of railway regulation until the World War. 1932. *American*.
- GEORGE PIERCE BAKER, JR., A.B., Harvard, 1925; A.M., 1930. Railroad consolidation in the United States since 1920. 1934. *Harvard*.
- ALVIN CHARLES BAUMGARTNER, A.B., Iowa State Teachers College, 1925; M.A., Iowa, 1931. Railway security regulation by the Interstate Commerce Commission since 1920. 1933. *Iowa*.
- CAMILLE J. BOTTE, B.S., Ohio State, 1927; M.A., 1928. Economic development of urban transportation. 1932. *Ohio State*.
- JOHN BEVER CRANE, B.A., Northwestern, 1924; A.M., Harvard, 1926. The development of the aviation industry in the United States. 1932. *Harvard*. Completed.
- RICHARD HALL CRAWFORD, A.B., Kansas, 1929. Transit privileges in railroad transportation. 1932. *Chicago*.
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- LAWRENCE L. DURISCH, LL.B., Nebraska, 1923; A.B., 1927; M.A., 1928. The Nebraska Railway Commission. 1934. *Chicago*.
- ANDREW JACKSON EASTWOOD, B.A., Richmond, 1923; M.A., Virginia, 1928. A history of the Virginia Railway Company. 1932. *Virginia*.
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- ROBERT M. HALEY, A.B., Harvard, 1913; M.S., Oregon State, 1927. The coordination of motor truck and railroad in the transportation of less-than-carload merchandise. 1933. *Northwestern*.
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- PEI-LIN TAN, Ph.D., Chicago, 1931. The belt and switching railroads of Chicago terminal area. Accepted.
- P. N. WANG, B.S., Illinois, 1929; M.B.A., Pennsylvania, 1930. The relation between motor and rail carriers. Competition versus regulation. 1932. *Pennsylvania*.
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- CONRAD PAYLING WRIGHT, Ph.D., Harvard, 1932. The origins and early years of the trans-Atlantic packet lines of New York, 1817-35. Accepted.
- L. M. ZINGLER, A.B., Lawrence College, 1928; M.S., Illinois, 1929. Financial history of the street railways in Chicago. 1931. *Illinois*. Accepted.

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- AARON VICTOR ABRAHAMSON, A.B., West Virginia, 1928; A.M., Brown, 1931. Expansibility of the domestic market of the United States. 1933. *Brown*.
- ROY J. BULLOCK, A.B., Doane, 1925; M.B.A., Harvard, 1927. The anti-chain store movement in the United States. 1933. *Johns Hopkins*.
- ROBERT M. CARR, A.B., Stanford, 1926. The entrepôt trade of Singapore. *California*.
- ROMAINE ELIZABETH BOODY FIRUSKI, A.B., Radcliffe, 1920; A.M., 1925. English foreign trade in the eighteenth century. 1934. *Radcliffe*.

- EDGAR HOWARD GAULT, B.A., Ohio Wesleyan, 1917; M.B.A., Harvard, 1921. The control of retail units of chain systems. 1932. *Chicago*.
- MAX GIDEONSE, A.B., Rochester, 1925; A.M., 1926. Dutch Baltic trade in the eighteenth century. 1932. *Harvard*. Completed.
- LEON GOLDENBERG, B.C.S., University of Liège, 1925; M.A., Chicago, 1929. Analysis of plans for the solution of the present economic crisis. 1933. *Northwestern*.
- STANLEY EDGAR GRAY, A.B., Wabash, 1925; A.M., Indiana, 1928; A.M., Harvard, 1930. The international tobacco trade in the seventeenth century; a study in the effects of the English navigation laws. 1934. *Harvard*.
- HAROLD MILBURN HAAS, B.S. in M.E., Purdue, 1911; M.B.A., Washington, 1930. Social and economic criticisms of the chain store. 1933. *University of Washington*.
- WILLIAM TROTTER HICKS, B.S. in B.A., Florida, 1927; M.S. in B.A., 1928. Financing Mexican foreign trade. 1933. *Northwestern*.
- ABNER KOMAROFF, B.B.A., American University of Beirut, Syria, 1930. The United States exports and imports of citrus fruits. 1933. *Johns Hopkins*.
- D. W. MICHENER, A.B., Pennsylvania College; A.M., Haverford. Meat distribution. 1932. *Columbia*.
- TOWNE JOSEPH NYLANDER, A.B., California, 1922; M.A., 1923. Chinese trade as a factor in the price of silver. 1933. *Stanford*.
- SIDNEY PATZER, A.B., Washington, 1928. Trade of French colonies and protectorates. 1934. *University of Washington*.
- ELMORE PETERSEN, A.B., B.C., South Dakota, 1911; A.M., Illinois, 1920. The development of Denver as a metropolitan wholesale market. 1932. *Chicago*.
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- HUNTLEY MACDONALD SINCLAIR, A.M., Edinburgh, 1923; B. Com., Queen's, 1924. The commercial relations between the United States and Argentina. 1932. *Columbia*.
- EARL SWISHER, A.B., Colorado, 1924; A.M., 1929. Commercial aspects of American policy in the Far East, 1849-1861. 1933. *Harvard*.
- MALCOLM D. TAYLOR, A.B., Oberlin, 1920; M.B.A., Harvard, 1923. Chain stores. 1933. *Chicago*.
- BRAINERD ALDEN THRESHER, B.S., Massachusetts Institute of Technology, 1920; A.M., Harvard, 1928. The influence of technical innovation on the business cycle. 1933. *Harvard*.
- DIMITRY U. VARLEY, B.S., Columbia, 1928; A.M., 1930. Russian theory of business cycles. 1932. *Columbia*.
- ERNEST FREDERIC WITTE, B.S., Nebraska, 1925; A.M., 1926. Organization, management and control of chain drug stores. 1932. *Chicago*.
- ZLATOYA YOVITCH, Diploma in Economics, Vienna, 1923; M.A., Wisconsin, 1931. Western Europe as a market for cereals (with regard to most favored nation clause and preferential tariff treatment). 1934. *Wisconsin*.

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- LEWIS W. ADAMS, B.S., North Carolina, 1925. Stock dividends. 1933. *Cornell*.
- RALPH B. ALSPAUGH, B.S., Ohio State, 1922; M.A., 1924. Consumer attitudes toward special sales. 1932. *Ohio State*.
- DAVID M. BEIGHTS, A.B., Colorado, 1925; M.S., Illinois, 1927. The financing of American rubber manufacturing companies. 1932. *Illinois*.
- HUBERT E. BICE, Ph.D., Ohio State, 1932. The merchandising of plumbing supplies. Completed.

- WILLIAM M. BLAISDELL, A.B., Swarthmore, 1921. The financing of stock speculation. 1932. *Pennsylvania*.
- JOHN GARY BLOCKER, B.S., Illinois, 1925; M.B.A., Kansas, 1927. Budgets and budgetary control in business institutions. 1933. *Kansas*.
- LAWRENCE N. BLOOMBERG, A.B., University of Richmond, 1930. Goodwill capitalization. 1934. *Johns Hopkins*.
- J. H. B. BOGMAN, A.B., George Washington, 1929; M.B.A., Harvard, 1930. A discussion of some of the proposed measures for national defense to include the concept of a planned war economy. 1933. *American*.
- R. P. BRECHT, Ph.D., Pennsylvania, 1931. Production organization—a study of the relation of size and nature of business to functionalization and coördination. Accepted.
- LYNDON O. BROWN, B.A., Carleton, 1924; M.B.A., Northwestern, 1931. Market analysis methods. 1933. *Northwestern*.
- ROY J. BURROUGHS, B.S., Oklahoma Agricultural and Mechanical, 1924; A.M., Michigan, 1930. Causes of real estate mortgage delinquency. 1933. *Michigan*.
- CLYDE GARFIELD CHENOWETH, A.B., California, 1922; M.A., 1923. San Francisco stock exchange and its history. 1932. *Stanford*.
- HOWARD E. COOPER, B.S., Denver, 1925; M.S., Columbia, 1927. The use of standard costs in the treatment of overhead expense. 1932. *Johns Hopkins*.
- WILFORD J. EITEMAN, B.A., Ohio Wesleyan, 1926; M.A., 1928. Theory of stock prices. 1931. *Ohio State*. Completed.
- LEONARD M. EKLAND, B.S.C., Iowa, 1924; A.M., 1927. Economic fundamentals in the formulation and appraisal of guiding rules and principles in speculation and investment. 1932. *Iowa*.
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- PAUL JOSEPH FITZPATRICK, Ph.D., Catholic, 1931. Symptoms of industrial failures as revealed by an analysis of financial statements of failed companies (1920-1929). Completed. (Published by the Catholic University of America.)
- JOHN GERLACH, B.S., M.A., Ohio State, 1923. Recent changes in corporate securities. 1933. *Ohio State*.
- AARON GOLDSTEIN, A.B., Johns Hopkins, 1928. Corporate income: a statistical study of the income of corporations with some derived conclusions as to the theory of profits. 1933. *Harvard*.
- CATHERINE D. GREENE, A.B., California, 1915; M.A., 1929. Trend in German accounting theory. 1933. *California*.
- HUGH C. GREGG, Ph.B., Chicago, 1921; A.M., 1923. The administration of college investments. 1933. *Chicago*.
- ROBERT A. HALLIBURTON, B.Sc., Georgia School of Technology, 1917; M.E., 1918. The real estate bond, its strength and weakness. 1933. *Columbia*.
- RICHARD A. HARVILL, B.S., Mississippi Agricultural and Mechanical, 1926; M.A., Duke, 1927. Economic and legal aspects of appliance merchandising by public utilities. 1932. *Northwestern*.
- HERMAN S. HETTINGER, B.S., Pennsylvania, 1923; M.A., 1929. Radio broadcasting as an advertising medium. *Pennsylvania*.
- HENRY W. HEWETSON, B.A., Toronto, 1924; M.A., British Columbia, 1925. Basis for exchange of securities in industrial mergers and consolidations. 1932. *Chicago*.
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- GEORGE R. HUSBAND, A.B., Michigan, 1923; A.M., 1927. Inadequacy of orthodox accounting procedure in view of fluctuating price levels. *Michigan*. Completed.
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- W. ROSS JUNKIN, B.A., Toronto, 1926; A.M., Cornell, 1930. Allocation of the operating costs of producing electrical service in New York State. 1933. *Cornell*.

- MARSHALL DANA KETCHUM, B.S., Syracuse, 1928; M.S., 1929. Valuation of investment trusts. 1934. *Chicago*.
- CHESTER F. LAY, Ph.D., Chicago, 1931. A course providing training in business administration for social agency executives. Accepted.
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- GARDINER COIT MEANS, A.B., Harvard, 1918; A.M., 1927. Accounting theory and practice in relation to problems of valuation. 1934. *Harvard*.
- TAYLOR C. MILLER, B.S., Washington, 1922; M.S., 1923. Terms of sale as a marketing instrument. 1932. *Chicago*.
- HELEN CORBIN MONCHOW, B.A., Mt. Holyoke, 1920; M.A., Northwestern, 1928. An analysis of subdivision control ordinances. 1932. *Northwestern*.
- A. E. NIELSEN, M.A., Columbia. Foreign bonds 1924-1930. 1932. *Columbia*.
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- DAVID T. ROWLANDS, B.S., Pennsylvania, 1926; M.A., 1930. Rationalization in the building industry. 1933. *Pennsylvania*.
- HARALD GUSTAV SHIELDS, B.Ed., Illinois State Normal, 1924. Economic and business education on the junior college level. 1932. *Chicago*.
- TRACY E. THOMPSON, Ph.D., Ohio State, 1931. Quality control in industrial management. Completed.
- W. E. WARRINGTON, B.S., Pennsylvania, 1915; M.A., 1916. The nature and extent of losses to bondholders in corporate reorganization, 1928 to 1929. 1931. *Pennsylvania*. Accepted.

Capital and Capitalistic Organization

- HAROLD C. ATKISS, B.A., Antioch, 1927; M.A., Cincinnati, 1928. Coördination of national and state agencies, with particular reference to the Federal Power Commission and state public utility commissions. 1933. *Yale*.
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